

# City of Battle Creek, Michigan



*Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2008*

*Prepared by the Finance Department*

**CITY OF BATTLE CREEK, MICHIGAN**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2008**

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# INTRODUCTORY SECTION





## BATTLE CREEK

CITY MANAGER

December 10, 2008

**To the Honorable Mayor, Members of the City Commission  
and Citizens of the City of Battle Creek:**

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Battle Creek for the fiscal year ended June 30, 2008.

This report consists of management's representations concerning the finances of the City of Battle Creek. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2008 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2008 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Battle Creek, incorporated as a City in 1859 and as a Home Rule City in 1913, is located in southwest Michigan, approximately 115 miles west of Detroit and 160 miles northeast of Chicago. It is the largest city in Calhoun County, encompassing an area of 44 square miles, with a current estimated population of 53,364. The City is well known as the breakfast food capital of the world.

The government has operated under the commission-manager form of government since 1961. Policymaking and legislative authorities are vested in the City Commission, which is comprised of nine members including the mayor. The governing council is responsible, among other things, for passing ordinances and resolutions, making public policy decisions, adopting the budget, appointing boards, commissions, and committees, approving contracts, authorizing real estate transactions, awarding bids, selling property, and hiring the government's manager and attorney. Four Commissioners are elected at-large for two-year terms and five Commissioners are elected from the five wards in the City, also serving two-year terms. The City Commission elects a Mayor and Vice-Mayor from among its members.

The City Manager is the chief administrative officer of the City and is appointed by and serves at the pleasure of the City Commission. The City Manager is responsible for carrying out the policies and ordinances of the City Commission, for overseeing the day-to-day operations of the government, and appointing government's department heads.

The City of Battle Creek provides a full range of services including: police and fire protection; the construction and maintenance of highways, streets and other infrastructure; wastewater treatment and disposal; water treatment and distribution; economic development; recreational activities; public transportation services and cultural events.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Battle Creek operates.

**Local economy.** The City's economy is diverse with industrial and commercial categories accounting for 47.4% of the 2007 taxable valuation. The remainder, primarily residential, provides area residents with convenient and affordable housing to take advantage of the City's industrial, commercial, cultural, educational and recreational opportunities. In addition to hosting breakfast food giants Kellogg Company, Post Division, Kraft Foods and Ralcorp, the City has been quite successful in attracting other major industrial corporations, who have invested in excess of \$740 million in plant expansions and renovations over the past several years.

**Long-term financial planning.** The City of Battle Creek believes long-term financial planning has been and will continue to be an important component to ensure the City's fiscal health. The City Commission has identified economic development and downtown development as two of the highest priorities for the City over the next three years. Battle Creek Unlimited, a non-profit organization partnering with the City to perform economic development, continues to promote and develop the City's Fort Custer Industrial Park (FCIP) and the downtown in an effort to maintain and enhance the City's tax base.

Along with efforts to ensure a future growth in tax revenue, the City has developed a Capital Improvements Program to identify its long-term capital needs and ability to fund the program. Over the next six years, the City has identified over \$174 million in capital needs.

From an operational perspective, while the City enjoys a diverse, growing economy, as well as a growing property tax base, factors exist that may constrain the City's fiscal health. The increase in the assessed value of taxable property in the City continues to be constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5% or the rate of inflation, whichever is less). Taken together, these fiscal factors create a trend of ever-tightening budgets under which the City must operate.

Finally, along with constrained resources, the City faces increasing financial challenges with escalating costs of employee benefits, especially for medical and prescription drug insurance. These issues impose increasing burdens on the City's fiscal structure and pose a possible peril to the long-term stability of City finances. Greater revenue growth and/or cost containment measures will be explored to mitigate future stress on City finances.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Battle Creek for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City of Battle Creek. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Battle Creek's finances.

**Kenneth H. Tsuchiyama**  
**Interim City Manager**

**James K. Ritsema**  
**Acting Assistant City Manager / Finance Director**

[Signatures omitted for security purposes.]

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Battle Creek  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Charles S. Cox*

President

*Jeffrey R. Egan*

Executive Director



# City Commission

**City Attorney**  
**Eileen Wicklund**

Big

**Acting City Manager**  
**Ken Tsuchiyama**

Big

**Acting Assistant City Manager**

**James Ritsma**

Big

## Employee Relations Director

**Russ Claggett**

Big

Human Resources Manager Paul Engels Big

Risk Manager Rick Hersley Big

## Parks & Recreation Director

**Jeff Hovarter**

Big

Superintendent of Facilities Linn Kraicht Big

Binder Park Golf Course Manager Ron Osborne Big

P&R Revenue Services Manager Kevin Smith Big

## Chief Information Officer

**Dan Ryan**

Big

Information Systems Administrator Mike Nofs Big

GIS Administrator Sarah Van Worman Big

Special Projects Task Leader Marcia Wentworth Big

## Police Chief

**David Headings**

Big

Deputy Chief Jackie

Hampton Big

Lt. John Chumanko Big

Lt. Ray Felix Big

Lt. Duane Knight Big

Investigative Services

Commander Jim Saylor Big

Internal Affairs

Inspector Tim Hart

Lt. Mike Sherzer Big

Police Management Services Shawnette Spicer Big

Emergency Services Manager Jim Zoss Big

911 Dispatch Manager Jill Fish Big

## Fire Chief

**Larry Hausman**

Big

Administrative Battalion Chiefs Bill Woodward & Howard Holt Big

Fire Inspection & Prevention Kim Yarger & Ralph Britton

Training Officer Jeff Slayton

## Assistant to the City Manager

**Michelle Reen**

Big

Graphic Communications Manager Sue McBride Big

## Licensing & Compliance Director

**Susan Bedsole**

Big

City Clerk Deidre "Dee" Lauer Big

Code Compliance Administrator Dennis McKinley Big

Inspection Superintendent/Chief Building Official Kim Task Big

Neighborhood Services Manager

Marcie Gillette Big

## Planning & Community Development Director

**Varant**

Senior Planner

Glimm Pearson

Community Development

Supervisor Al Cignare Big

## Finance Director

City Treasurer Gail Budrow-Bradstreet Big

Assistant Income Tax Administrator Lorette Wright Big

City Assessor Steve Hudson Big

Deputy Assessor

Kari Buckelew Big

Purchasing Agent Christine Huff Big

Finance Services Manager Mark Haskins Big

## Transportation Director

**Greg Zanotti**

Big

Transit Manager Jerry Hutchison Big

Assistant Transit

Manager

Rich Werner Big

Airport Manager Larry Bowron Big

Equipment & Fleet Management

Parking Systems Contractor: AMPCO

Airport Operations

Manager

James Candless Big

## City Engineer

**Chris Dopp**

Big

Acting Traffic Engineer Greg Rickman Big

Streets and Parks Superintendent Todd Gerber Big

## Utilities Director

**Ken Kohs**

Big

Acting Records Manager Andy Machalowski Big

Water Superintendent Perry Hart Big

Wastewater Superintendent Larry DeLong Big

Environmental Program Coordinator Christine Kiszowski Big

**CITY OF BATTLE CREEK, MICHIGAN**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2008**  
**List of Principal City Officials**

**Elected Officials**

**City Commission:**

Mark A. Behnke, Mayor  
Tony L. Walker, Vice Mayor

Susan Baldwin  
John K. Godfrey  
Ryan Hersha  
Christopher Simmons  
Sherry Sofia  
Diane Thompson  
Andrew Yankama

**Administration -- Appointed Officials and Senior Management**

Interim City Manager.....Kenneth H. Tsuchiyama  
Acting Assistant City Manager.....James K. Ritsema  
Assistant to the City Manager..... Michelle A. Reen  
Interim City Attorney.....Eileen W. Wicklund  
City Clerk.....Deidre A. Laser  
City Treasurer ..... Gail M. Budrow-Bradstreet

**Directors:**

Finance Director ..... James K. Ritsema  
Employee Relations Director ..... Russell W. Claggett  
Chief of Police..... David Headings  
Fire Chief..... Larry Hausman

## FINANCIAL SECTION



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT**

December 10, 2008

Honorable Mayor and  
Members of the City Commission  
City of Battle Creek, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Battle Creek, Michigan***, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Battle Creek's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Battle Creek, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund and Community Development Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008, on our consideration of the City of Battle Creek, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



The Management's Discussion and Analysis on pages 3-14 and the Police and Fire Retirement System information on page 69 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Battle Creek's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

## MANAGEMENT'S DISCUSSION and ANALYSIS

## Management's Discussion and Analysis

As management of the *City of Battle Creek, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$363,364,283 (*net assets*). Of this amount, \$52,704,905 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$5,918,616.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,826,114, a decrease of \$3,584,024 in comparison with the prior year. Approximately 84 percent of this total amount, or \$14,147,903, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$6,543,976 or 13.6% of total general fund revenues and other financing sources.
- The City's total bonded debt decreased by \$3,465,000 during the current fiscal year; building authority refunding bonds (general obligation debt) totaling \$8,605,000 were issued during the year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, highways and streets, parks and recreation and community development. The business-type activities of the City include wastewater, water, public transit, solid waste collection and other enterprise operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the community development special revenue fund, which are considered to be major funds. Data from the other 22 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-26 of this report.

***Proprietary funds.*** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater, water, public transit, solid waste collection and other operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment maintenance, self-insurance, information management services and printing/reproduction services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater and water system fund and economic development fund, which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 27-32 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 33-34 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-69 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the City's progress in funding its obligation to provide pension benefits to its police and fire employees. Required supplementary information can be found on page 70 of this report.

The combining statements referred to earlier in connection with nonmajor, internal service and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found on pages 71-102 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Battle Creek, assets exceeded liabilities by \$363,364,283 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (84.1 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, systems and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Battle Creek's Net Assets

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 54,582,988	\$ 57,621,078	\$ 24,278,265	\$ 26,356,907	\$ 78,861,253	\$ 83,977,985
Capital assets	234,216,501	234,821,945	120,149,000	122,886,677	354,365,501	357,708,622
Total assets	288,799,489	292,443,023	144,427,265	149,243,584	433,226,754	441,686,607
Long-term liabilities outstanding	28,628,574	30,449,777	23,500,607	24,797,699	52,129,181	55,247,476
Other liabilities	12,953,129	12,048,576	4,780,161	5,107,653	17,733,290	17,156,229
Total liabilities	41,581,703	42,498,353	28,280,768	29,905,352	69,862,471	72,403,705
Net assets:						
Invested in capital assets, net of related debt	209,225,026	208,138,951	96,505,088	97,919,583	305,730,114	306,058,534
Restricted	4,929,264	7,861,430	-	-	4,929,264	7,861,430
Unrestricted	33,063,496	33,944,286	19,641,409	21,418,649	52,704,905	55,362,935
Total net assets	\$ 247,217,786	\$ 249,944,667	\$ 116,146,497	\$ 119,338,232	\$ 363,364,283	\$ 369,282,899



An additional portion of the City's net assets (1.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (14.5 percent or \$52,704,905) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's net assets decreased by \$5,918,616 during the current year as compared to a prior year decrease of \$3,342,987. The current year decrease in net assets reflects the extent by which accrual basis expenses, including depreciation on governmental capital assets and infrastructure, exceed revenues. The change from the prior year reflects a \$3.8 million increase in revenues (including \$1.2 million increase in property tax revenues, \$1.3 million increase in income tax revenues, \$0.6 million increase in charges for services primarily from wastewater activities) and a \$6.4 increase in expenses (including \$2.1 million for public safety costs, \$1.6 million for highways and streets, \$0.9 million for wastewater expenses and \$0.7 million for economic development activities).

### City of Battle Creek's Changes in Net Assets

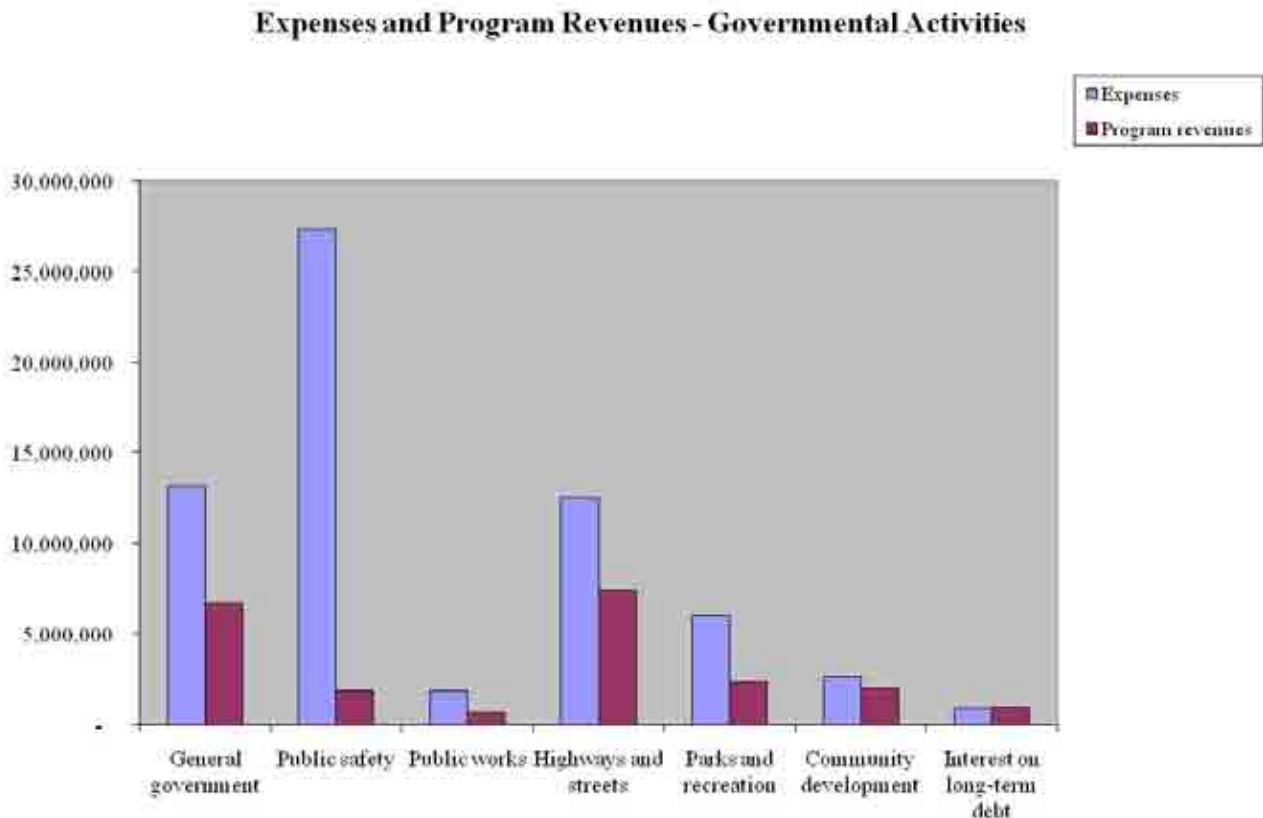
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue:						
Program revenue:						
Charges for services	\$ 7,781,351	\$ 7,865,139	\$ 26,190,238	\$ 25,167,057	\$ 33,971,589	\$ 33,032,196
Grants and contributions:						
Operating	12,446,278	11,362,032	3,891,109	4,756,705	16,337,387	16,118,737
Capital	1,651,247	1,427,358	544,337	794,260	2,195,584	2,221,618
General revenue:						
Property taxes	16,485,528	15,322,115	-	-	16,485,528	15,322,115
Income taxes	15,505,430	14,226,870	-	-	15,505,430	14,226,870
Unrestricted grants and contributions	6,090,487	6,038,495	-	-	6,090,487	6,038,495
Other	2,448,172	2,166,102	581,031	668,682	3,029,203	2,834,784
Total revenue	62,408,493	58,408,111	31,206,715	31,386,704	93,615,208	89,794,815
Expenses:						
General government	13,176,854	12,354,963	-	-	13,176,854	12,354,963
Public safety	27,337,709	25,211,331	-	-	27,337,709	25,211,331
Public works	1,896,351	1,862,529	-	-	1,896,351	1,862,529
Highways and streets	12,521,742	10,947,131	-	-	12,521,742	10,947,131
Parks and recreation	5,994,590	6,098,967	-	-	5,994,590	6,098,967
Community development	2,629,423	3,033,185	-	-	2,629,423	3,033,185
Interest on long-term debt	885,050	1,103,096	-	-	885,050	1,103,096
Sewer	-	-	15,371,605	14,492,263	15,371,605	14,492,263
Water	-	-	7,439,990	7,222,797	7,439,990	7,222,797
Transit system	-	-	3,985,668	3,762,533	3,985,668	3,762,533
Solid waste collection	-	-	2,591,517	2,437,238	2,591,517	2,437,238
Airport	-	-	2,393,643	2,094,172	2,393,643	2,094,172
Golf course	-	-	1,232,043	1,184,758	1,232,043	1,184,758
Parking	-	-	1,147,371	1,151,969	1,147,371	1,151,969
Economic development	-	-	930,268	180,870	930,268	180,870
Total expenses	64,441,719	60,611,202	35,092,105	32,526,600	99,533,824	93,137,802
Decrease in net assets						
before transfers	(2,033,226)	(2,203,091)	(3,885,390)	(1,139,896)	(5,918,616)	(3,342,987)
Transfers	(693,655)	(986,742)	693,655	986,742	-	-
Change in net assets	(2,726,881)	(3,189,833)	(3,191,735)	(153,154)	(5,918,616)	(3,342,987)
Net assets - beginning of year	249,944,667	253,134,500	119,338,232	119,491,386	369,282,899	372,625,886
Net assets - end of year	\$ 247,217,786	\$ 249,944,667	\$ 116,146,497	\$ 119,338,232	\$ 363,364,283	\$ 369,282,899

**Governmental activities.** Governmental activities decreased the City's net assets by \$2,726,881 (as compared to a prior year decrease of \$3,189,833). Key elements of this decrease and the change from the prior year are as follows:

- Total revenue increased by \$4.0 million primarily as a result of \$1.2 million increase in property taxes and \$1.3 million increase in income taxes.
- Total expenses increased by approximately \$3.8 million. This included a \$2.2 million increase in public safety activity costs (which included increases for overtime costs of \$430,000, hospitalization costs of \$416,000, pension contributions of \$232,000, gang task force costs of \$200,000 and technology improvement costs of \$163,000), a \$1.6 million increase in highways and street expenses attributable to the difficult 2007-08 winter, and various inflationary increases in other line items.

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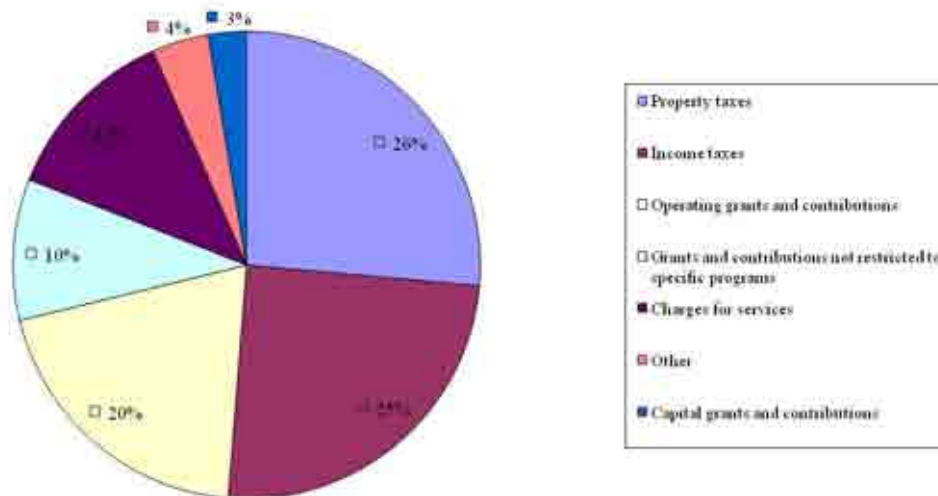
## Expenses and Program Revenues - Governmental Activities



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## Revenues by Source - Governmental Activities

Revenues by Source - Governmental Activities



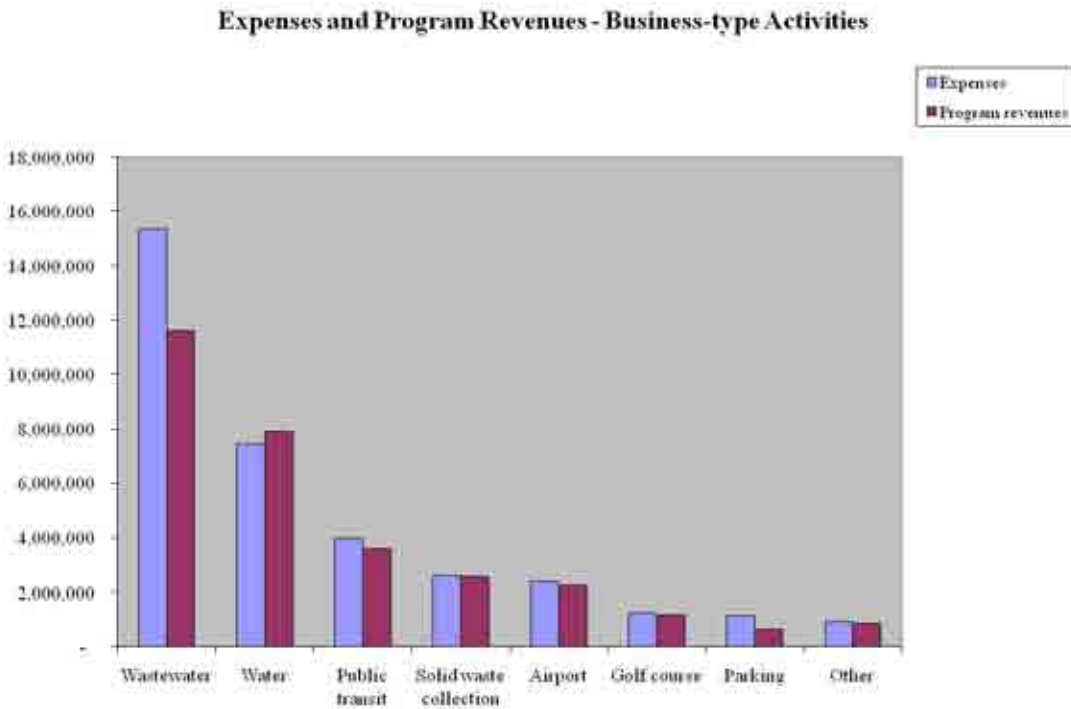
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**Business-type activities.** Business-type activities decreased the City's net assets by \$3,191,735 as compared to a decrease of \$153,154 the prior year. Key elements for this change include:

- Increase of \$879,342 in various wastewater expenses including lift station improvements.
- Airport improvements paid with grants and contributions in the prior year decreased by \$775,515 in the current year.
- Increases in economic development expenses of \$749,398.
- Decreases in general revenues (investment earnings and transfers) of \$380,738.

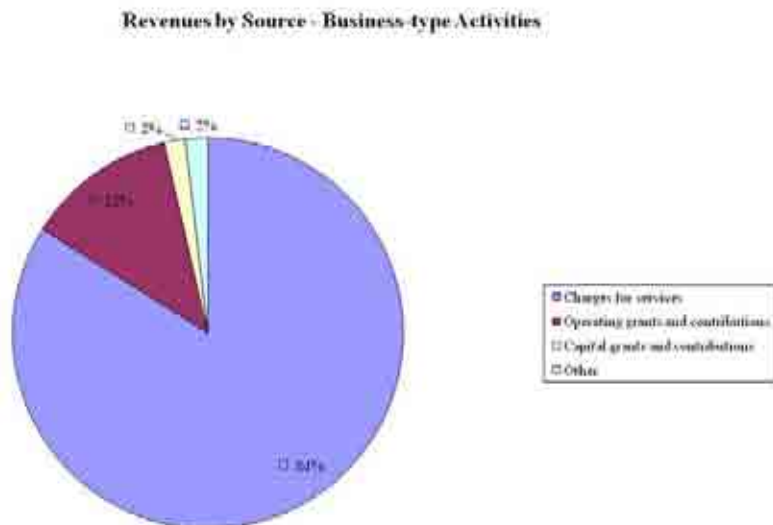
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## Expenses and Program Revenues - Business-type Activities



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## Revenues by Source - Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,826,114, a decrease of \$3,584,024 in comparison with the prior year. Approximately 84% of this total amount (\$14,147,903) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed:

- to generate income for the support and maintenance of the youth center and Kellogg Arena (\$2,123,533); and
- for inventories, prepaid expenditures and encumbrances (\$554,678).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$6,543,976, while total fund balance was \$8,173,334. As a measure of the general fund's liquidity, it may be useful to compare unreserved undesignated fund balance to total general fund revenues. Unreserved undesignated fund balance represents 13.6 percent of total general fund revenues and other financing sources.

The fund balance of the City's general fund increased by \$92,817 during the current fiscal year. This was significantly better than the final budgeted decrease in fund balance of \$755,018.

The community development fund has no fund balance, which is the same as the previous year, since this is a grant-driven fund. Original budget estimates anticipated a greater level of activity than actually occurred; however, community development grant funds may be carried over to subsequent years.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the water and wastewater system fund at the end of the year amounted to \$7,242,242. The fund had a decrease in net assets for the year of \$3,189,163. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

The economic development fund had total net assets at the end of the year of \$9,729,888, all of which was unrestricted. For the year, the fund had a decrease in net assets of \$84,597 primarily because of increased loan loss write offs.

## Financial Analysis of the Government's Funds

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## General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor. Changes between original and final budget balances result from the carryover of certain budget appropriations under the City's budgetary policies.

For the year, general fund budgetary estimates for revenues, expenditures and other financing sources and uses exceeded actual, resulting in a net increase in fund balance that was \$847,835 more than anticipated in the final amended budget.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounted to \$354,365,501 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, system, vehicles and equipment, park facilities, roads, highways, and bridges. Net capital assets for governmental activities decreased 0.3%, and for business-type activities decreased by 2.2%. Overall, total net capital assets for the City decreased 0.9%.

Major capital asset events during the current fiscal year included the following:

- Water and wastewater system improvements totaling \$3.6 million.
- Transit system bus purchases of \$874,356.
- Public safety equipment improvements of \$516,853.
- Current year infrastructure additions of over \$5.8 million.

### City of Battle Creek's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land and land improvements	\$ 5,580,277	\$ 5,661,838	\$ 6,986,286	\$ 7,040,518	\$ 12,566,563	\$ 12,702,356
Buildings	31,439,911	32,254,163	24,240,972	25,110,668	55,680,883	57,364,831
Vehicles	3,363,916	2,847,964	2,091,295	1,568,155	5,455,211	4,416,119
Equipment	6,529,052	7,297,692	4,751,227	4,939,420	11,280,279	12,237,112
Systems	-	-	82,079,220	84,227,916	82,079,220	84,227,916
Infrastructure	187,303,345	186,760,288	-	-	187,303,345	186,760,288
Total	\$ 234,216,501	\$ 234,821,945	\$ 120,149,000	\$ 122,886,677	\$ 354,365,501	\$ 357,708,622

Additional information on the City's capital assets can be found in Note 3-D. on pages 52-53 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$43,905,000. Of this amount, \$24,680,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources.

**City of Battle Creek's Outstanding Debt**  
General Obligation and Revenue Bonds

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
General obligation bonds	\$ 21,170,000	\$ 22,860,000	\$ 3,510,000	\$ 3,860,000	\$ 24,680,000	\$ 26,720,000
Revenue bonds	-	-	19,225,000	20,650,000	19,225,000	20,650,000
<b>Total</b>	<b>\$ 21,170,000</b>	<b>\$ 22,860,000</b>	<b>\$ 22,735,000</b>	<b>\$ 24,510,000</b>	<b>\$ 43,905,000</b>	<b>\$ 47,370,000</b>

The City's total bonded debt decreased by \$3,465,000 (7.3 percent) during the current fiscal year, with the issuance of \$8,605,000 in refunding bonds during the year.

The following chart depicts the City's credit rating for the various outstanding debt and the different rating agencies:

	<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>
Water and wastewater revenue bonds	A3	A	A+
General obligation limited tax bonds	A1	A+	AA-
General obligation unlimited tax bonds	A1	A+	nr

**nr – not rated**

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$189,704,303 which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3-G. on pages 55-61 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

With the aid of a new long-term financial model, the following factors were considered in preparing the City's budget for the 2008-09 fiscal year:

- Developed budget within the context of the forecasted revenues and expenditures.
- Continued marginal growth in the City's income tax.
- No increase in constitutional state shared revenue.
- Limited growth in total controlled revenues.
- Inflationary trends in the region are comparable to national indices.
- Establishment and funding (in the amount of \$200,000) of a budget stabilization fund.

During the current fiscal year, unreserved undesignated fund balance in the general fund increased by \$916,777 to \$6,543,976. The City has not appropriated any general fund unreserved fund balance for spending in the 2008-09 fiscal year budget.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, P.O. Box 1717, Battle Creek, Michigan 49016-1717.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Net Assets**  
**June 30, 2008**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Pooled cash and investments	\$ 31,589,170	\$ 15,200,790	\$ 46,789,960	\$ 22,294,593
Receivables	16,948,612	4,436,083	21,384,695	1,832,130
Receivables, long term portion	6,515,000	2,055,711	8,570,711	1,124,042
Internal balances	(1,138,716)	1,138,716	-	-
Inventories, prepaid items and other assets	668,922	1,446,965	2,115,887	347,927
Capital assets not being depreciated	371,094	3,880,553	4,251,647	11,679,397
Capital assets being depreciated, net	233,845,407	116,268,447	350,113,854	545,400
<b>Total assets</b>	<b>288,799,489</b>	<b>144,427,265</b>	<b>433,226,754</b>	<b>37,823,489</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	11,961,046	4,419,896	16,380,942	1,552,042
Accrued interest payable	232,132	351,890	584,022	1,508,502
Unearned revenue	759,951	8,375	768,326	-
Long-term liabilities:				
Due within one year	2,399,455	1,997,364	4,396,819	3,489,115
Due in more than one year	26,229,119	21,503,243	47,732,362	57,557,238
<b>Total liabilities</b>	<b>41,581,703</b>	<b>28,280,768</b>	<b>69,862,471</b>	<b>64,106,897</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	209,225,026	96,505,088	305,730,114	9,140,720
Restricted for:				
Debt service	62,483	-	62,483	4,000,033
Capital projects	1,665,628	-	1,665,628	13,885,975
Endowment - nonexpendable	2,123,533	-	2,123,533	-
Endowment - expendable	1,055,843	-	1,055,843	-
Other purposes	21,777	-	21,777	1,394,399
Unrestricted (deficit)	33,063,496	19,641,409	52,704,905	(54,704,535)
<b>Total net assets (deficit)</b>	<b>\$ 247,217,786</b>	<b>\$ 116,146,497</b>	<b>\$ 363,364,283</b>	<b>\$ (26,283,408)</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

<b><u>Functions / Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>			<b><u>Net (Expense) Revenue</u></b>
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 13,176,854	\$ 2,907,276	\$ 3,764,746	\$ -	\$ (6,504,832)
Public safety	27,337,709	1,835,157	37,865	-	(25,464,687)
Public works	1,896,351	671,611	-	-	(1,224,740)
Highways and streets	12,521,742	5,240	5,815,083	1,572,727	(5,128,692)
Parks and recreation	5,994,590	2,320,582	41,449	-	(3,632,559)
Community development	2,629,423	45,239	1,940,639	-	(643,545)
Interest on long-term debt	885,050	-	842,742	78,520	36,212
Total governmental activities	64,441,719	7,785,105	12,442,524	1,651,247	(42,562,843)
Business-type activities:					
Wastewater	15,371,605	11,617,431	-	-	(3,754,174)
Water	7,439,990	7,783,011	136,380	-	479,401
Public transit	3,985,668	381,122	3,205,086	-	(399,460)
Solid waste collection	2,591,517	2,554,607	-	-	(36,910)
Airport	2,393,643	1,165,832	549,643	544,337	(133,831)
Golf course	1,232,043	1,186,315	-	-	(45,728)
Parking	1,147,371	656,249	-	-	(491,122)
Economic development	930,268	845,671	-	-	(84,597)
Total business-type activities	35,092,105	26,190,238	3,891,109	544,337	(4,466,421)
Total primary government	<u>\$ 99,533,824</u>	<u>\$ 33,975,343</u>	<u>\$ 16,333,633</u>	<u>\$ 2,195,584</u>	<u>\$ (47,029,264)</u>
<b>Component units</b>					
Community development	<u>\$ 15,441,752</u>	<u>\$ 81,574</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,360,178)</u>

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2008**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net expense	\$ (42,562,843)	\$ (4,466,421)	\$ (47,029,264)	\$ (15,360,178)
General revenues:				
Property taxes	16,485,528	-	16,485,528	18,344,439
Income taxes	15,505,430	-	15,505,430	-
Grants and contributions not restricted to specific programs	6,090,487	-	6,090,487	-
Unrestricted investment earnings	2,448,172	581,031	3,029,203	1,973,811
Transfers - internal activities	(693,655)	693,655	-	-
Total general revenues and transfers	39,835,962	1,274,686	41,110,648	20,318,250
Change in net assets	(2,726,881)	(3,191,735)	(5,918,616)	4,958,072
Net assets (deficit), beginning of year, as restated	249,944,667	119,338,232	369,282,899	(31,241,480)
<b>Net assets (deficit), end of year</b>	<u>\$ 247,217,786</u>	<u>\$ 116,146,497</u>	<u>\$ 363,364,283</u>	<u>\$ (26,283,408)</u>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

# CITY OF BATTLE CREEK, MICHIGAN

## Balance Sheet Governmental Funds June 30, 2008

	<u>General</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ 8,021,678	\$ -	\$ 8,635,891	\$ 16,657,569
Receivables:				
Interest	270,003	-	46,825	316,828
Accounts	5,027,120	6,091	1,060,520	6,093,731
Special assessments	-	-	114,786	114,786
Grants	36,936	244,674	320,433	602,043
Loans	6,045,196	2,962,895	-	9,008,091
Inventories	12,255	-	15,933	28,188
Prepaid items	43,155	-	29,669	72,824
Interfund receivable	1,876,121	-	-	1,876,121
<b><u>TOTAL ASSETS</u></b>	<u>\$ 21,332,464</u>	<u>\$ 3,213,660</u>	<u>\$ 10,224,057</u>	<u>\$ 34,770,181</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 4,520,814	\$ -	\$ 80,152	\$ 4,600,966
Accrued payroll	1,937,404	-	-	1,937,404
Retentions, deposits and other liabilities	52,908	5,740	245,408	304,056
Interfund payable	-	245,025	973,788	1,218,813
Deferred revenue	6,648,004	2,962,895	271,929	9,882,828
Total liabilities	<u>13,159,130</u>	<u>3,213,660</u>	<u>1,571,277</u>	<u>17,944,067</u>
<b>Fund balances</b>				
Reserved for:				
Inventories	12,255	-	15,933	28,188
Prepaid items	43,155	-	29,669	72,824
Encumbrances	242,124	-	211,542	453,666
Endowment	-	-	2,123,533	2,123,533
Unreserved:				
Designated for:				
Capital outlay and projects	1,255,815	-	-	1,255,815
Future departmental appropriations	76,009	-	-	76,009
Future departmental appropriations, reported in nonmajor capital projects funds	-	-	845,097	845,097
Subsequent year expenditures, reported in nonmajor special revenue funds	-	-	238,041	238,041
Undesignated	6,543,976	-	-	6,543,976
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	914,985	914,985
Debt service funds	-	-	62,483	62,483
Capital projects funds	-	-	3,155,654	3,155,654
Permanent funds	-	-	1,055,843	1,055,843
Total fund balances	<u>8,173,334</u>	<u>-</u>	<u>8,652,780</u>	<u>16,826,114</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 21,332,464</u>	<u>\$ 3,213,660</u>	<u>\$ 10,224,057</u>	<u>\$ 34,770,181</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2008**

<b>Fund balances - total governmental funds</b>	<b>\$ 16,826,114</b>
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	339,661,395
Deduct - accumulated depreciation	(108,067,921)

Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add - net assets of governmental internal service funds	12,794,101
Deduct - portion of internal service funds net operating loss attributed to business-type funds	(1,138,716)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred special assessments	114,786
Add - loans receivable related to the sale of capital assets	6,045,196
Add - other loans receivable	2,962,895

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds, installment contracts and loans payable	(25,328,161)
Add - unamortized bond issuance costs	362,328
Add - receivables from other entities for their share of debt	6,855,000
Deduct - accrued interest on bonds, loans and leases payable	(232,132)
Deduct - compensated absences	(3,637,099)

<b>Net assets of governmental activities</b>	<b><u>\$ 247,217,786</u></b>
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The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<u>General</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>				
Taxes	\$ 31,990,958	\$ -	\$ -	\$ 31,990,958
Licenses and permits	1,026,490	-	-	1,026,490
Intergovernmental	7,932,595	1,495,426	7,514,198	16,942,219
Charges for services	2,377,713	-	1,597,436	3,975,149
Fines and forfeitures	249,809	-	-	249,809
Investment income	1,455,000	967	486,789	1,942,756
Other	2,083,831	33,365	2,149,061	4,266,257
Total revenue	<u>47,116,396</u>	<u>1,529,758</u>	<u>11,747,484</u>	<u>60,393,638</u>
<b>Expenditures</b>				
Current expenditures:				
General government	7,818,545	-	4,157,068	11,975,613
Public safety	26,187,733	-	579,134	26,766,867
Public works	1,600,366	-	-	1,600,366
Highway and streets	-	-	11,599,488	11,599,488
Parks and recreation	3,847,291	-	1,344,834	5,192,125
Community development	-	1,527,463	302,336	1,829,799
Unallocated	2,140,538	-	363,556	2,504,094
Debt service:				
Principal retirement	-	-	2,110,890	2,110,890
Interest	-	-	928,236	928,236
Bond issuance costs	-	-	215,915	215,915
Capital outlay	-	-	168,949	168,949
Total expenditures	<u>41,594,473</u>	<u>1,527,463</u>	<u>21,770,406</u>	<u>64,892,342</u>
Revenue over (under) expenditures	<u>5,521,923</u>	<u>2,295</u>	<u>(10,022,922)</u>	<u>(4,498,704)</u>
<b>Other financing sources (uses)</b>				
Issuance of debt	-	-	370,420	370,420
Issuance of refunding bonds	-	-	8,605,000	8,605,000
Discount on refunding bonds	-	-	(39,814)	(39,814)
Payment to refunding bond escrow agent	-	-	(8,556,980)	(8,556,980)
Transfers in	150,382	-	9,371,070	9,521,452
Transfers out	(6,337,369)	(2,295)	(3,632,963)	(9,972,627)
Proceeds from sales of capital assets	757,881	-	229,348	987,229
Total other financing sources (uses)	<u>(5,429,106)</u>	<u>(2,295)</u>	<u>6,346,081</u>	<u>914,680</u>
Net change in fund balances	92,817	-	(3,676,841)	(3,584,024)
Fund balances, beginning of year, as restated	<u>8,080,517</u>	<u>-</u>	<u>12,329,621</u>	<u>20,410,138</u>
<b>Fund balances, end of year</b>	<u>\$ 8,173,334</u>	<u>\$ -</u>	<u>\$ 8,652,780</u>	<u>\$ 16,826,114</u>

The accompanying notes are an integral part of these financial statements

**CITY OF BATTLE CREEK, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2008**

**Net change in fund balances - total governmental funds** **\$ (3,584,024)**

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	5,003,819
Add - capital contributions	1,572,727
Deduct - depreciation expense	(7,247,534)

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Add - increase in special assessments	78,520
Deduct - collections on land contracts related to the sale of capital assets	(750,739)
Deduct - decrease in deferred revenues related to loans receivable	(63,638)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - proceeds of long-term debt issuance	(370,420)
Add - principal payments on long-term liabilities	2,110,890
Add - amortization of premiums on bonds	5,003
Deduct - amount received from other entities for their share of debt principal	(532,164)
Deduct - proceeds of long-term refunding debt issuance	(8,605,000)
Add - payment to refunding bond escrow agent	8,556,980
Add - original issuance discount on refunding bonds	39,814
Add - refunding bond issuance costs	215,915

Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service funds	295,269
Add - interest revenue from governmental internal service funds	659,283
Add - transfers received in governmental internal service funds	542,782
Deduct - interest paid from governmental activities in internal service funds	(2,096)
Deduct - transfers made from governmental internal services funds	(785,262)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	40,278
Deduct - increase in the accrual for compensated absences	129,685
Deduct - amortization of bond issuance costs	(36,969)

**Change in net assets of governmental activities** **\$ (2,726,881)**

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2008**

	<b>Budget</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenue</b>				
<b>Taxes</b>				
City income	\$ 14,855,938	\$ 14,855,938	\$ 15,505,430	\$ 649,492
Real estate	15,591,451	13,505,976	13,448,258	(57,718)
Personal property	-	2,085,475	1,981,003	(104,472)
Administration fees	928,545	928,545	1,047,767	119,222
Other	-	-	8,500	8,500
Total taxes	31,375,934	31,375,934	31,990,958	615,024
<b>Licenses and permits</b>	1,000,344	1,000,047	1,026,490	26,443
<b>Intergovernmental</b>				
State-Shared - Statutory	2,376,332	2,376,332	2,369,436	(6,896)
State-Shared - Constitutional	3,545,181	3,545,181	3,683,898	138,717
Other	1,881,055	1,881,055	1,879,261	(1,794)
Total intergovernmental	7,802,568	7,802,568	7,932,595	130,027
<b>Charges for services</b>				
Parks and recreation	1,683,037	1,683,037	1,090,590	(592,447)
Police services	849,976	994,976	1,055,547	60,571
Emergency dispatch	223,278	223,278	231,576	8,298
Total charges for services	2,756,291	2,901,291	2,377,713	(523,578)
<b>Fines and forfeitures</b>	211,000	211,000	249,809	38,809
<b>Investment income</b>	1,729,982	1,729,982	1,455,000	(274,982)
<b>Other</b>				
Rent and leases	198,843	718,843	673,942	(44,901)
Contributions and donations	71,500	71,500	41,449	(30,051)
Miscellaneous and other	603,401	464,946	351,915	(113,031)
Administrative reimbursements	992,933	992,933	1,016,525	23,592
Total other revenue	1,866,677	2,248,222	2,083,831	(164,391)
Total revenue	46,742,796	47,269,044	47,116,396	(152,648)

Continued...



**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual (Continued)**  
**General Fund**  
**For the Year Ended June 30, 2008**

	Budget		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>General government</b>				
Administration:				
Mayor and city commission	\$ 116,494	\$ 117,149	\$ 125,254	\$ 8,105
City clerk	420,355	391,783	363,820	(27,963)
City manager	783,128	783,435	771,385	(12,050)
City hall	404,636	504,425	363,954	(140,471)
Neighborhood partnership	239,326	239,326	224,655	(14,671)
Neighborhood code compliance	183,513	154,948	207,607	52,659
Employee relations	234,984	234,984	227,095	(7,889)
Human resources	375,164	384,782	382,121	(2,661)
Labor attorney	21,012	21,012	20,872	(140)
Legal department	686,685	675,425	717,001	41,576
Elections	60,936	72,701	113,202	40,501
Civil service	65,781	76,847	80,144	3,297
Rental property	-	-	5,794	5,794
Total administration	3,592,014	3,656,817	3,602,904	(53,913)
Community development:				
City planning	675,632	725,786	814,355	88,569
Inspection	552,947	538,927	500,465	(38,462)
Housing board of appeals	1,800	1,800	3,248	1,448
Intermodal facility	72,918	74,898	76,302	1,404
Total community development	1,303,297	1,341,411	1,394,370	52,959
Finance:				
Accounting	946,113	943,436	878,927	(64,509)
Purchasing	309,960	309,960	296,810	(13,150)
Treasurer's office	392,492	393,579	420,456	26,877
Assessing	728,465	730,265	754,776	24,511
Income tax division	551,541	546,010	470,262	(75,748)
Total finance	2,928,571	2,923,250	2,821,231	(102,019)
District court	-	-	40	40
Total general government	7,823,882	7,921,478	7,818,545	(102,933)

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual (Continued)**  
**General Fund**  
**For the Year Ended June 30, 2008**

	<b>Budget</b>		<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (continued)</b>				
<b>Public safety</b>				
Police department:				
Administration	\$ 456,739	\$ 456,739	\$ 453,819	\$ (2,920)
Crime lab	649,120	649,120	632,944	(16,176)
Investigation	1,140,816	1,212,036	1,215,081	3,045
Fleet management	216,962	216,962	216,643	(319)
Special investigative unit	590,320	569,100	535,732	(33,368)
Management service	884,641	1,065,394	960,411	(104,983)
Patrol	9,289,534	9,322,426	9,508,871	186,445
Community service	792,509	792,509	774,440	(18,069)
Officer training	181,401	185,928	183,755	(2,173)
Detention center	173,959	173,959	180,921	6,962
Cold case team	207,271	207,271	207,960	689
Gang task force	-	-	354,323	354,323
Total police department	14,583,272	14,851,444	15,224,900	373,456
Fire department:				
Administration	824,210	833,428	856,860	23,432
Fire fighting	8,293,632	8,130,356	7,879,437	(250,919)
Total fire department	9,117,842	8,963,784	8,736,297	(227,487)
Dispatch	2,155,474	2,156,208	2,083,509	(72,699)
Civil defense	117,634	117,634	143,027	25,393
Total public safety	25,974,222	26,089,070	26,187,733	98,663
<b>Public works</b>				
Public works director	-	1,186	752	(434)
Street and storm sewers	226,945	227,752	202,877	(24,875)
Engineering	133,776	132,053	122,920	(9,133)
Street lighting	1,049,050	1,049,050	1,127,058	78,008
Outside service	334,782	339,256	146,759	(192,497)
Total public works	1,744,553	1,749,297	1,600,366	(148,931)

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended June 30, 2008**

	<b>Budget</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Expenditures (concluded)</b>				
<b>Parks and recreation</b>				
Administration	\$ 626,164	\$ 670,923	\$ 654,913	\$ (16,010)
Parks, buildings and maintenance	872,662	1,003,782	933,786	(69,996)
Downtown maintenance	485,330	485,330	394,773	(90,557)
Sports	999,479	1,007,513	798,706	(208,807)
Youth center and water park	1,395,801	1,395,801	1,065,113	(330,688)
Total parks and recreation	4,379,436	4,563,349	3,847,291	(716,058)
<b>Unallocated</b>				
Retirement benefits	439,263	439,263	505,553	66,290
Data processing	1,028,372	1,028,372	1,028,372	-
Other	471,845	770,074	606,613	(163,461)
Total unallocated	1,939,480	2,237,709	2,140,538	(97,171)
Total expenditures	41,861,573	42,560,903	41,594,473	(966,430)
Revenue over expenditures	4,881,223	4,708,141	5,521,923	813,782
<b>Other financing sources (uses)</b>				
Transfers in	121,337	121,337	150,382	29,045
Transfers out	(5,823,899)	(6,335,235)	(6,337,369)	(2,134)
Proceeds from sales of capital assets	750,739	750,739	757,881	7,142
Total other financing (uses)	(4,951,823)	(5,463,159)	(5,429,106)	34,053
Net change in fund balances	(70,600)	(755,018)	92,817	847,835
Fund balance, beginning of year	8,080,517	8,080,517	8,080,517	-
<b>Fund balance, end of year</b>	<b>\$ 8,009,917</b>	<b>\$ 7,325,499</b>	<b>\$ 8,173,334</b>	<b>\$ 847,835</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Community Development Special Revenue Fund**  
**For the Year Ended June 30, 2008**

	<b>Budget</b>			<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenues</b>				
Intergovernmental revenue	\$1,624,870	\$ 2,804,298	\$ 1,495,426	\$ (1,308,872)
Interest	-	665	967	302
Loan collection and other	-	17,454	33,365	15,911
Total revenues	1,624,870	2,822,417	1,529,758	(1,292,659)
<b>Expenditures</b>				
Community development	1,622,575	2,820,122	1,527,463	(1,292,659)
Revenues over (under) expenditures	2,295	2,295	2,295	-
<b>Other financing uses</b>				
Transfers out	(2,295)	(2,295)	(2,295)	-
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2008**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Wastewater System</b>	<b>Economic Development</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Assets</b>					
Current assets:					
Pooled cash and investments	\$ 3,876,656	\$ 10,268,032	\$ 1,713,410	\$ 15,858,098	\$ 14,274,293
Receivables:					
Interest	53,071	72,205	18,655	143,931	86,193
Accounts	2,646,019	277,067	204,914	3,128,000	386,940
Special assessments	190,438	-	-	190,438	-
Grants	-	-	723,335	723,335	-
Loans, current portion	-	250,379	-	250,379	-
Inventories	1,250,509	-	164,314	1,414,823	314,371
Prepaid items and other assets	-	-	32,142	32,142	253,539
Interfund receivable	-	-	-	-	398,791
Total current assets	<u>8,016,693</u>	<u>10,867,683</u>	<u>2,856,770</u>	<u>21,741,146</u>	<u>15,714,127</u>
Noncurrent assets:					
Loans receivable, net	-	2,055,711	-	2,055,711	-
Capital assets, net	94,776,069	-	25,372,931	120,149,000	2,623,027
Unamortized bond issuance costs	143,305	-	-	143,305	-
Total noncurrent assets	<u>94,919,374</u>	<u>2,055,711</u>	<u>25,372,931</u>	<u>122,348,016</u>	<u>2,623,027</u>
Total assets	<u>102,936,067</u>	<u>12,923,394</u>	<u>28,229,701</u>	<u>144,089,162</u>	<u>18,337,154</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	-	3,193,506	2,200	3,195,706	130,500
Accrued payroll and compensated absences	325,774	-	179,353	505,127	135,125
Retentions, deposits and other liabilities	310,929	-	10,594	321,523	-
Accrued interest payable	281,053	-	70,837	351,890	76
Claims payable	-	-	-	-	4,852,919
Interfund payable	-	-	657,308	657,308	398,791
Unearned revenue	-	-	8,375	8,375	-
Lease payable, current portion	-	-	172,364	172,364	8,272
Bonds payable, current portion	1,465,000	-	360,000	1,825,000	-
Total current liabilities	<u>2,382,756</u>	<u>3,193,506</u>	<u>1,461,031</u>	<u>7,037,293</u>	<u>5,525,683</u>
Noncurrent liabilities:					
Advances from component unit	-	-	397,540	397,540	-
Lease payable	-	-	1,165,735	1,165,735	17,370
Bonds payable	17,339,075	-	3,141,738	20,480,813	-
Total noncurrent liabilities	<u>17,339,075</u>	<u>-</u>	<u>4,705,013</u>	<u>22,044,088</u>	<u>17,370</u>
Total liabilities	<u>19,721,831</u>	<u>3,193,506</u>	<u>6,166,044</u>	<u>29,081,381</u>	<u>5,543,053</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	75,971,994	-	20,533,094	96,505,088	2,597,385
Unrestricted	7,242,242	9,729,888	1,530,563	18,502,693	10,196,716
Total net assets	<u>\$ 83,214,236</u>	<u>\$ 9,729,888</u>	<u>\$ 22,063,657</u>	<u>\$ 115,007,781</u>	<u>\$ 12,794,101</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Reconciliation of Net Assets on the Statement of**  
**Net Assets for Enterprise Funds to Net Assets of**  
**Business-type Activities on the Statement of Net Assets**  
**June 30, 2008**

<b>Net assets - total enterprise funds</b>	\$ 115,007,781
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Amounts reported for *business-type activities* in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain services to individual governmental and enterprise funds. The net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.

Add - cumulative portion of internal service funds net operating income attributed to enterprise funds	<u>1,138,716</u>
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<b>Net assets of business-type activities</b>	<u><u>\$ 116,146,497</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Wastewater System</b>	<b>Economic Development</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>Operating revenues</b>				
Charges for services	\$ 18,957,841	\$ -	\$ 5,877,655	\$ 24,835,496
Other	442,601	425,576	66,470	934,647
Total operating revenues	19,400,442	425,576	5,944,125	25,770,143
<b>Operating expenses</b>				
Personal services	8,155,376	-	3,709,330	11,864,706
Materials and supplies	1,403,320	-	1,046,097	2,449,417
Contractual and other	5,799,697	930,270	4,701,338	11,431,305
Depreciation	6,580,325	-	1,703,987	8,284,312
Total operating expenses	21,938,718	930,270	11,160,752	34,029,740
Operating income (loss)	(2,538,276)	(504,694)	(5,216,627)	(8,259,597)
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental subsidies	136,380	-	3,754,729	3,891,109
Interest income	429,423	420,097	151,608	1,001,128
Interest expense	(964,142)	-	(216,647)	(1,180,789)
Total nonoperating revenues (expenses)	(398,339)	420,097	3,689,690	3,711,448
Income (loss) before contributions and transfers	(2,936,615)	(84,597)	(1,526,937)	(4,548,149)
<b>Capital contributions</b>	-	-	544,337	544,337
<b>Transfers in</b>	235,938	-	1,260,646	1,496,584
<b>Transfers out</b>	(488,486)	-	(314,443)	(802,929)
Change in net assets	(3,189,163)	(84,597)	(36,397)	(3,310,157)
Net assets, beginning of year	86,403,399	9,814,485	22,100,054	118,317,938
<b>Net assets, end of year</b>	<u>\$ 83,214,236</u>	<u>\$9,729,888</u>	<u>\$ 22,063,657</u>	<u>\$ 115,007,781</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets of Enterprise Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2008**

<b>Change in net assets - total enterprise funds</b>	\$ (3,310,157)
--	----------------

Amounts reported for *business-type activities* in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain services to individual governmental and enterprise funds. The net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.

Add - net operating income from internal service funds related to enterprise funds	<u>118,422</u>
--	----------------

<b>Change in net assets of business-type activities</b>	<u><u>\$ (3,191,735)</u></u>
---	------------------------------

The accompanying notes are an integral part of these financial statements.



**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Wastewater System</b>	<b>Economic Development</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 19,683,471	\$ 411,830	\$ 5,936,482	\$ 26,031,783	\$ -
Loans collected from borrowers	-	948,197	-	948,197	-
Loans made to borrowers	-	(674,833)	-	(674,833)	-
Receipts from interfund services	-	-	-	-	19,341,399
Payments to suppliers	(5,157,249)	(342,178)	(5,351,781)	(10,851,208)	(14,854,452)
Payments to employees	(8,165,738)	-	(3,689,983)	(11,855,721)	(2,697,312)
Payments for interfund services	(1,880,414)	-	(559,554)	(2,439,968)	-
Net cash provided by (used in) operating activities	<u>4,480,070</u>	<u>343,016</u>	<u>(3,664,836)</u>	<u>1,158,250</u>	<u>1,789,635</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers in	235,938	-	1,260,646	1,496,584	542,782
Transfers out	(488,486)	-	(314,443)	(802,929)	(785,262)
Intergovernmental subsidies	<u>152,134</u>	<u>-</u>	<u>3,885,759</u>	<u>4,037,893</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	<u>(100,414)</u>	<u>-</u>	<u>4,831,962</u>	<u>4,731,548</u>	<u>(242,480)</u>
<b>Cash flows from capital and related financing activities</b>					
Proceeds from interfund borrowing	-	-	32,818	32,818	-
Principal and interest paid on debt	(2,404,035)	-	(219,217)	(2,623,252)	-
Principal and interest paid on capital lease	-	-	-	-	(9,827)
Purchase of capital assets	<u>(5,340,233)</u>	<u>-</u>	<u>(1,434,626)</u>	<u>(6,774,859)</u>	<u>(853,341)</u>
Net cash used in capital and related financing activities	<u>(7,744,268)</u>	<u>-</u>	<u>(1,621,025)</u>	<u>(9,365,293)</u>	<u>(863,168)</u>
<b>Cash flows from investing activities</b>					
Interest received on investments	<u>450,091</u>	<u>420,099</u>	<u>155,497</u>	<u>1,025,687</u>	<u>672,648</u>
Net increase (decrease) in cash and cash equivalents	(2,914,521)	763,115	(298,402)	(2,449,808)	1,356,635
<b>Cash and cash equivalents</b>					
Beginning of year	<u>6,791,177</u>	<u>9,504,917</u>	<u>2,011,812</u>	<u>18,307,906</u>	<u>12,917,658</u>
<b>End of year</b>	<u>\$ 3,876,656</u>	<u>\$ 10,268,032</u>	<u>\$ 1,713,410</u>	<u>\$ 15,858,098</u>	<u>\$ 14,274,293</u>

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water &amp; Wastewater System</b>	<b>Economic Development</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ (2,538,276)	\$ (504,694)	\$ (5,216,627)	\$ (8,259,597)	\$ 413,691
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	6,580,325	-	1,703,987	8,284,312	787,798
Amortization	112,814	-	1,540	114,354	-
Write off of uncollectible accounts	-	1,470,644	-	1,470,644	-
Changes in assets and liabilities:					
Accounts receivable	248,173	(11,892)	5,753	242,034	(386,077)
Special assessments receivable	34,856	-	-	34,856	-
Loans receivable	-	(408,287)	-	(408,287)	-
Inventories	6,194	-	(2,396)	3,798	(16,944)
Prepaid items	-	-	-	-	60,664
Interfund receivable	-	-	-	-	(398,791)
Accounts payable	(16,410)	(202,755)	(106,001)	(325,166)	130,500
Accrued payroll/compensated absences	(10,362)	-	19,347	8,985	(8,541)
Retentions, deposits and other liabilities	62,756	-	(29,321)	33,435	-
Claims payable	-	-	-	-	808,544
Interfund payable	-	-	(27,722)	(27,722)	398,791
Unearned revenue	-	-	(13,396)	(13,396)	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 4,480,070</b>	<b>\$ 343,016</b>	<b>\$ (3,664,836)</b>	<b>\$ 1,158,250</b>	<b>\$ 1,789,635</b>

**Noncash Items:**

As described in Note 1-D to the basic financial statements, the City maintains an investment pool for all funds. Accordingly, specific noncash disclosures for changes in the fair value of investments in the proprietary funds are not determinable.

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Pooled cash and investments	\$ -	\$ 313,171
Cash and cash equivalents	3,932,807	-
Investments:		
U.S. treasuries	4,799,757	-
U.S. agencies	13,148,334	-
Domestic corporate securities	22,591,629	-
Domestic equities	45,263,663	-
American depository receipts	12,320,437	-
International equities	5,416,835	-
Real estate trusts	101,520	-
Interest receivable	545,928	-
Pension contributions receivable	1,888,682	-
Delinquent taxes receivable	-	2,513,805
	<u>110,009,592</u>	<u>\$ 2,826,976</u>
Total assets		
	<u>110,009,592</u>	<u>\$ 2,826,976</u>
<b>Liabilities</b>		
Accounts payable	500,000	\$ -
Deposits and retentions payable	-	2,826,976
	<u>500,000</u>	<u>\$ 2,826,976</u>
<b>Net assets</b>		
Held in trust for pension and postemployment healthcare benefits	<u>\$ 109,509,592</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension and Other Employee Benefit Trust Funds**  
**For the Year Ended June 30, 2008**

**Additions**

Investment income:	
Net depreciation in fair value of investments	\$ (5,047,646)
Interest and dividends	4,765,887
Less investment expenses	<u>(1,562,917)</u>
Net investment loss	<u>(1,844,676)</u>
Contributions:	
Employer	4,094,992
Employees	<u>1,336,365</u>
Total contributions	<u>5,431,357</u>
Total additions	<u>3,586,681</u>

**Deductions**

Pension benefit payments	6,052,012
Contribution refunds	114,970
Medical insurance premiums	500,000
Administrative expenses	<u>10,389</u>
Total deductions	<u>6,677,371</u>
Net deductions to net assets held in trust for benefits	(3,090,690)
Net assets held in trust for benefits, beginning of year	<u>112,600,282</u>
<b>Net assets held in trust for benefits, end of year</b>	<u><u>\$109,509,592</u></u>

The accompanying notes are an integral part of these financial statements.

**COMPONENT UNITS  
FINANCIAL STATEMENTS**

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2008**

	<b>Battle Creek Downtown Development Authority</b>	<b>Lakeview Downtown Development Authority</b>	<b>Battle Creek Tax Increment Financing Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Local Development Finance Authority</b>	<b>Total</b>
<b>Assets</b>						
Pooled cash and investment	\$ 5,654,227	\$ 119,671	\$ 16,459,571	\$ 46,279	\$ 14,845	\$ 22,294,593
Receivables, net	1,275,921	11,435	147,116	-	118	1,434,590
Advance to primary government	-	-	397,540	-	-	397,540
Prepaid items and other asset	347,927	-	-	-	-	347,927
Long-term receivables - due in more than one year	-	-	1,124,042	-	-	1,124,042
Capital assets not being depreciated	-	-	11,679,397	-	-	11,679,397
Capital assets being depreciated, net	-	-	545,400	-	-	545,400
<b>Total assets</b>	<b>7,278,075</b>	<b>131,106</b>	<b>30,353,066</b>	<b>46,279</b>	<b>14,963</b>	<b>37,823,489</b>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	526,836	-	1,004,317	20,889	-	1,552,042
Accrued interest payable	1,432,034	-	76,468	-	-	1,508,502
Long-term liabilities						
Due within one year	1,655,000	-	1,834,115	-	-	3,489,115
Due in more than one year	46,958,167	-	9,475,029	1,124,042	-	57,557,238
<b>Total liabilities</b>	<b>50,572,037</b>	<b>-</b>	<b>12,389,929</b>	<b>1,144,931</b>	<b>-</b>	<b>64,106,897</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	-	-	9,140,720	-	-	9,140,720
Restricted for debt service	4,000,000	-	33	-	-	4,000,033
Restricted for capital project	-	46,648	13,839,327	-	-	13,885,975
Restricted for loan commitments and minority lending	1,394,399	-	-	-	-	1,394,399
Unrestricted (deficit)	(48,688,361)	84,458	(5,016,943)	(1,098,652)	14,963	(54,704,535)
<b>Total net assets (deficit)</b>	<b>\$ (43,293,962)</b>	<b>\$ 131,106</b>	<b>\$ 17,963,137</b>	<b>\$ (1,098,652)</b>	<b>\$ 14,963</b>	<b>\$ (26,283,408)</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2008**

	<b>Battle Creek Downtown Development Authority</b>	<b>Lakeview Downtown Development Authority</b>	<b>Battle Creek Tax Increment Financing Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Local Development Finance Authority</b>	<b>Total</b>
<b>Expenses</b>						
Community development	\$ 7,120,396	\$ 2,289,242	\$ 4,798,866	\$ 1,231,748	\$ 1,500	\$ 15,441,752
<b>Program revenues</b>						
Charges for services	44,697	-	36,877	-	-	81,574
Net program expense	7,075,699	2,289,242	4,761,989	1,231,748	1,500	15,360,178
<b>General revenues</b>						
Property taxes	6,566,597	2,113,623	9,627,498	25,454	11,267	18,344,439
Unrestricted investment earnings	667,265	97,447	1,206,154	2,205	740	1,973,811
Total general revenues	7,233,862	2,211,070	10,833,652	27,659	12,007	20,318,250
Change in net assets	158,163	(78,172)	6,071,663	(1,204,089)	10,507	4,958,072
Net assets (deficit), beginning of year	(43,452,125)	209,278	11,891,474	105,437	4,456	(31,241,480)
<b>Net assets (deficit), end of year</b>	<u><u>\$ (43,293,962)</u></u>	<u><u>\$ 131,106</u></u>	<u><u>\$ 17,963,137</u></u>	<u><u>\$ (1,098,652)</u></u>	<u><u>\$ 14,963</u></u>	<u><u>\$ (26,283,408)</u></u>

The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS



# CITY OF BATTLE CREEK, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1-A. Reporting Entity

The accompanying financial statements present the activities of the City of Battle Creek, Michigan (the “City” or “government”) and its six component units, legally separate organizations for which the City is financially accountable. The activities of the Building Authority are so intertwined with the City that it is, in substance, the same as the City and, therefore, is blended and reported as if it were part of the City. The other five component units are not so intertwined and, therefore, are discretely presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units each have a June 30 year-end.

<b><u>Component Unit</u></b>	<b><u>Included in the Reporting Entity Because</u></b>	<b><u>Separate Financial Statements Available</u></b>
Building Authority (BA); finances and constructs the City’s public buildings	City Commission appoints and may remove BA board	Not prepared
Downtown Development Authority (DDA); corrects and prevents deterioration in the downtown district, encourages historical preservation and promotes economic growth within the district	City Commission appoints and may remove DDA board and approves DDA budget	Finance Department in City Hall
Lakeview Downtown Development Authority (LDDA); promotes development of the Lakeview district	City Commission appoints and may remove LDDA board and approves LDDA budget	Finance Department in City Hall
Tax Increment Financing Authority (TIFA); administers the Fort Custer Industrial Park development district	City Commission appoints and may remove TIFA board and approves TIFA budget	Finance Department in City Hall
Brownfield Redevelopment Authority (BRA); administers brownfield redevelopment projects	City Commission appoints and may remove BRA Board and approves BRA budget	Finance Department in City Hall
Local Development Finance Authority (LDFA); encourages technological development through the City’s “ <i>SmartZone</i> ”	City Commission appoints and may remove LDFA Board and approves LDFA budget	Finance Department in City Hall

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### 1-B. Basis of Presentation

*Government-wide Financial Statements.* The statements of net assets and activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

*General fund.* This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Community development fund.* This fund accounts for grants under the Housing and Community Development Act of 1974, as amended. The Act provides for a series of grants over a period of years to be used for various community development activities.

The City reports the following major enterprise funds:

*Water and wastewater system fund.* This fund accounts for the activities of the City's water distribution, water treatment, sewage disposal and sewage treatment systems.

*Economic development fund.* This fund accounts for the activities of the City's economic development revolving loan program.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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Additionally, the City reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

*Debt service funds.* These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital projects funds.* These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

*Permanent funds.* These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

*Enterprise funds.* These funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

*Internal service funds.* These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes machinery, equipment and building space management services; liability, auto, and workers' compensation self-insurance; information technology services; and printing, mailing and reproduction services.

*Pension and other employee benefits trust funds.* These funds account for the activities of the Police and Fire Retirement System, Voluntary Employees Beneficiary Association, and Fire Retiree Health Care Trust, which accumulate resources for retirement and other employee benefit payments to qualified employees.

*Agency funds.* These funds account for assets held for other governments in an agency capacity.

### 1-C. Measurement Focus / Basis of Accounting

*Government-wide, Proprietary and Fiduciary Fund Financial Statements.* The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end, except for income tax revenue for which a 15-day collection period is used. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues, subject to satisfying any grant program matching provisions.

All governmental and business-type activities and enterprise funds of the City follow private-sector standards of accounting and financial reported issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### **1-D. Assets, Liabilities and Equity**

#### **Deposits and Investments**

The City maintains a cash and investment pool for all City monies. Each fund's portion of the cash and investment pool is displayed on the statement of net assets/balance sheet as "pooled cash and investments." The cash resources of the pension and other employee benefits trust funds are invested separately. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the pension trust fund to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension trust fund investments due to changes in fair value is recognized each year.

### **Receivables and Payables**

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Certain loans receivable in governmental funds consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

### **Inventories, Prepaid Items and Other Assets**

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-50
Buildings and building improvements	50
Public domain infrastructure	50
Water and wastewater system infrastructure	25-50
Vehicles	7-10
Office equipment	6-10
Machinery and equipment	3-10

### Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees (i.e., firefighters) are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Liability accruals for vacation and compensatory time in the government-wide and proprietary fund financial statements are reported as current liabilities; the liability for sick leave in the governmental activities is allocated between current and long-term.

### Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **2-A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end, except for those approved by the City Commission for carry forward. The legal level of budgetary control is the fund level.

The City Commission requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in June. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Commission approval is required for any budgetary changes that result in an increase to net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the City Commission in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.



# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### 2-B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a fund level basis, although budget and actual information in the fund financial statements have been presented at a level of detail greater than the level of legal budgetary control.

During the year ended June 30, 2008, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
<b>Major street and trunkline maintenance fund</b>			
Highways and streets	\$ 3,769,162	\$ 3,880,715	\$ 111,553
<b>Narcotics forfeiture fund</b>			
General government	218,152	234,845	16,693

### 2-C. Deficit Fund Equity

The Binder Park golf course enterprise fund has a total net asset deficit of \$291 and an unrestricted net asset deficit of \$532,829 at year end. A multi-year plan to eliminate the deficit has been developed by the City and approved by the State of Michigan.

## NOTE 3 – DETAILED NOTES ON ALL FUNDS

### 3-A. Deposits and Investments – Pooled Cash and Investments

Following is a reconciliation of deposit and investment balances, including both pooled cash and investments as well as pension and other employee benefits trust fund balances (see Note 3-B) as of June 30, 2008:

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

	<u>Primary Governments</u>	<u>Component Units</u>	<u>Total</u>
<b>Statement of Net Assets:</b>			
Pooled cash and investments	\$ 46,789,960	\$ 22,294,593	\$ 69,084,553
<b>Statement of Fiduciary Net Assets:</b>			
Pooled cash and investments	313,171	-	313,171
Cash and cash equivalents:			
Pension	3,035,610	-	3,035,610
Other employee benefits	897,197	-	897,197
Investments - pension	103,642,175	-	103,642,175
	<u><b>\$ 154,678,113</b></u>	<u><b>\$ 22,294,593</b></u>	<u><b>\$ 176,972,706</b></u>
<b>Deposits and Investments:</b>			
Bank deposits (checking accounts, savings accounts and CDs)			\$ 5,419,516
Investments in securities, mutual funds and similar vehicles:			
Pool			63,959,582
Pension			106,677,785
Other employee benefits			897,197
Cash on hand			18,626
<b>Total</b>			<u><b>\$ 176,972,706</b></u>

*Custodial Credit Risk - Deposits.* For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of June 30, 2008, \$3,610,370 of the City's total bank balance of \$4,010,370 (total book balance was \$5,419,516) was exposed to custodial credit risk as it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial Credit Risk - Investments.* Following is a summary of the City's investments as of June 30, 2008:

U.S. treasuries	\$ 2,481,567
U.S. agencies	39,925,311
Money market	<u>21,552,704</u>
<b>Total</b>	<u><b>\$ 63,959,582</b></u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery *vs.* payment. As of June 30, 2008, none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

*Credit Risk.* As of June 30, 2008, all of the City's investments in securities of U.S. agencies were rated AAA by Standard & Poor's. The City also held investments in U.S. treasuries and money market mutual funds, which are not rated. All of the City's investments comply with its policy regarding the types of investments it may hold.

*Concentration of Credit Risk.* At June 30, 2008, the investment portfolio of U.S. agencies was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal Home Loan Bank	23.7%
	Federal Home Loan Mortgage Corporation	14.5%
	Federal National Mortgage Association	12.0%
	Federal Farm Credit Bank	11.2%

The City's investment policy does not address this risk.

*Interest Rate Risk.* As of June 30, 2008, maturities of the City's debt securities were as follows:

	<u>Fair Value</u>	<u>Investment Maturities (fair value by years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. treasuries	\$ 2,481,567	\$ 1,456,097	\$ 1,025,470	\$ -	\$ -
U.S. agencies	39,925,311	7,656,131	19,411,510	12,857,670	-
<b>Total debt securities</b>	<b>\$ 42,406,878</b>	<b>\$ 9,112,228</b>	<b>\$ 20,436,980</b>	<b>\$ 12,857,670</b>	<b>\$ -</b>

The System's investment policy does not address interest rate risk.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### 3-B. Deposits, Investments and Securities Lending – Pension and Other Employee Benefits Trust Funds

The deposits and investments of the Police and Fire Retirement System Trust Fund (the “System”) and of the other employee benefits trust funds are maintained separately from the City’s pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for these deposits and investments are presented separately.

**Deposits** - The System and the other employee benefits trust funds do not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net assets are composed entirely of short-term investments in money market accounts.

**Investments** - The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, authorizes the System to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Retirement Board has the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the System’s assets. All investment decisions are subject to Michigan law and the investment policy established by the Retirement Board.

The System’s investments are held in a bank-administered trust fund. Following is a summary of the System’s investments as of June 30, 2008:

Investments at fair value, as determined	
by quoted market price:	
U.S. treasuries	\$ 4,799,757
U.S. agencies:	
Not on securities loan	9,996,092
On securities loan	3,152,242
Domestic corporate securities:	
Not on securities loan	22,484,180
On securities loan	107,449
Domestic equities:	
Not on securities loan	36,074,116
On securities loan	9,189,547
American depository receipts	12,320,437
International equities	5,416,835
Real estate investment trusts	101,520
	<hr/>
<b>Total investments</b>	<b><u>\$ 103,642,175</u></b>

In addition to the above, the System and the other employee benefits trust funds had short-term investments of \$3,035,610 and \$897,197, respectively, as of June 30, 2008 held entirely in money market funds.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

*Credit Risk.* The System's investment policy provides that its investments in fixed income securities be limited to those rated BBB or better by a nationally recognized statistical rating organization. As of June 30, 2008, the System's investments in securities of U.S. agencies were all rated AAA by Standard & Poor's. The System's investments in corporate securities were rated by Standard & Poor's as follows:

AAA	\$ 4,299,506
AA+	501,460
AA	2,363,402
AA-	1,535,031
A+	4,746,941
A	4,075,385
A-	1,984,954
BBB+	1,321,530
BBB	1,007,259
BBB-	<u>756,161</u>
	<u><u>\$ 22,591,629</u></u>

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy requires that investment securities be held in trust by a third-party institution in the System's name. As such, although uninsured and unregistered, the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the System's name.

Short-term investments in money market funds are not subject to custodial credit risk.

*Concentration of Credit Risk.* At June 30, 2008, the investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal National Mortgage Association	17.7%
	Federal Home Loan Mortgage Corporation	9.2%
	Federal Home Loan Bank	7.7%

The System's investment policy requires that the securities of any one company or government agency should not exceed 10% of the total fund and no more than 25% of the total fund should be invested in any one industry.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

*Interest Rate Risk.* As of June 30, 2008, maturities of the System's debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$ 4,799,757	\$ 346,349	\$ 2,630,625	\$ 868,258	\$ 954,525
U.S. agencies	13,148,334	1,207,908	3,618,138	1,214,381	7,107,907
Domestic corporate securities	22,591,629	705,268	11,721,489	6,247,070	3,917,802
<b>Total debt securities</b>	<b>\$ 40,539,720</b>	<b>\$ 2,259,525</b>	<b>\$ 17,970,252</b>	<b>\$ 8,329,709</b>	<b>\$ 11,980,234</b>

Of the above balances, no amounts were callable.

The System's investment policy provides that the maximum maturity for any single fixed income security is ten years and that the weighted average portfolio maturity may not exceed eight years.

*Foreign Currency Risk.* Foreign currency risk is the risk that significant fluctuations in exchange rates may adversely affect the fair value of an investment. The System has various investment holdings in international equities totaling \$5,416,835; these holdings are primarily in common and preferred stocks of Canadian (dollars) and European (euros) companies. The System does not have any policies regarding foreign currency risk.

*Securities Lending.* A contract approved by the System's Board, permits the System to lend its securities to broker-dealers and banks (borrowers) for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash as collateral. The collateral securities cannot be pledged or sold by the System unless the borrower defaults. Collateral cash is initially pledged at 100 percent of the fair value of the securities lent, and may not fall below 100 percent during the term of the loan. There are no restrictions on the amount of securities that can be loaned. Securities on loan at year-end are classified in the preceding schedule of investments according to the category for the collateral received on the securities lent. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. The contract with the System's custodian requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

### 3-C. Receivables

Receivables in the governmental activities are 53.1 percent loans, 40.2 percent accounts receivables, 3.6 percent grants receivable, 2.4 percent accrued interest, and 0.7 percent special assessments. Business-type activities receivables are 70.6 percent due from customers, 16.3 percent grants, 4.3 percent special assessments, 5.6 percent loans, and 3.2 percent accrued interest.

General fund accounts receivable are reported net of an allowance for uncollectible accounts of \$667,984.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds and activities were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Land contract payments not yet due (general fund)	\$ 6,045,196	\$ -	\$ 6,045,196
Community development loans not yet due (special revenue funds)	2,962,895	-	2,962,895
Special assessments not yet due (special revenue and permanent funds)	114,786	-	114,786
Customer deposits for future services/events (special revenue funds)	-	12,300	12,300
Payments received in advance	-	602,808	602,808
Grant drawdowns prior to meeting all eligibility requirements	-	144,843	144,843
	<u>\$ 9,122,877</u>	<u>\$ 759,951</u>	<u>\$ 9,882,828</u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

### 3-D. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

#### Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated - Land	\$ 371,094	\$ -	\$ -	\$ 371,094
Capital assets, being depreciated:				
Land improvements	7,842,517	81,228	-	7,923,745
Buildings	49,869,018	192,057	-	50,061,075
Vehicles	8,008,140	969,257	-	8,977,397
Equipment	25,069,867	382,028	(308,832)	25,143,063
Infrastructure	256,424,760	5,805,318	(17,660)	262,212,418
Total capital assets being depreciated	347,214,302	7,429,888	(326,492)	354,317,698
Less accumulated depreciation for:				
Land improvements	(2,551,773)	(162,789)	-	(2,714,562)
Buildings	(17,614,854)	(1,006,310)	-	(18,621,164)
Vehicles	(5,160,176)	(762,137)	308,832	(5,613,481)
Equipment	(17,772,176)	(859,495)	17,660	(18,614,011)
Infrastructure	(69,664,472)	(5,244,601)	-	(74,909,073)
Total accumulated depreciation	(112,763,451)	(8,035,332)	326,492	(120,472,291)
Total capital assets, being depreciated, net	234,450,851	(605,444)	-	233,845,407
<b>Governmental activities capital assets, net</b>	<b>\$ 234,821,945</b>	<b>\$ (605,444)</b>	<b>\$ -</b>	<b>\$ 234,216,501</b>
<b>Business-type activities</b>				
Capital assets, not being depreciated - Land	\$ 3,780,552	\$ 100,001	\$ -	\$ 3,880,553
Capital assets, being depreciated:				
Land improvements	7,240,344	82,988	-	7,323,332
Buildings	64,072,030	814,647	-	64,886,677
Vehicles	4,964,276	913,953	(1,293,583)	4,584,646
Equipment	15,700,390	536,033	(33,569)	16,202,854
Systems	163,492,280	3,099,013	-	166,591,293
Total capital assets being depreciated	255,469,320	5,446,634	(1,327,152)	259,588,802
Less accumulated depreciation for:				
Land improvements	(3,980,378)	(237,221)	-	(4,217,599)
Buildings	(38,961,362)	(1,684,343)	-	(40,645,705)
Vehicles	(3,396,121)	(390,813)	1,293,583	(2,493,351)
Equipment	(10,760,970)	(724,226)	33,569	(11,451,627)
Systems	(79,264,364)	(5,247,709)	-	(84,512,073)
Total accumulated depreciation	(136,363,195)	(8,284,312)	1,327,152	(143,320,355)
Total capital assets, being depreciated, net	119,106,125	(2,837,678)	-	116,268,447
<b>Business-type activities capital assets, net</b>	<b>\$ 122,886,677</b>	<b>\$ (2,737,677)</b>	<b>\$ -</b>	<b>\$ 120,149,000</b>



# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 77,576
Public safety	768,854
Public works, including depreciation of general infrastructure assets	5,543,771
Parks and recreation	857,333
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>787,798</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 8,035,332</u></b>
Business-type activities:	
Wastewater	\$ 4,731,668
Water	1,848,658
Public transit	462,052
Airport	647,538
Golf course	95,135
Parking	350,020
Other	<u>149,241</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 8,284,312</u></b>

### **Discretely presented component units**

Activity for the TIFA for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated - Land	\$ 11,679,397	\$ -	\$ -	\$ 11,679,397
Capital assets, being depreciated:				
Land improvements	587,500	-	-	587,500
Buildings	278,190	-	-	278,190
Equipment	302,712	-	-	302,712
Total capital assets being depreciated	<u>1,168,402</u>	<u>-</u>	<u>-</u>	<u>1,168,402</u>
Less accumulated depreciation for:				
Land improvements	(152,750)	(11,750)	-	(164,500)
Buildings	(144,662)	(11,128)	-	(155,790)
Equipment	(302,712)	-	-	(302,712)
Total accumulated depreciation	<u>(600,124)</u>	<u>(22,878)</u>	<u>-</u>	<u>(623,002)</u>
Total capital assets, being depreciated, net	<u>568,278</u>	<u>(22,878)</u>	<u>-</u>	<u>545,400</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 12,247,675</u></b>	<b><u>\$ (22,878)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 12,224,797</u></b>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### 3-E. Payables

Payables in the governmental activities are 39.6 percent vendors, 40.6 percent claims and 19.8 percent accrued payroll, interest, compensated absences and other liabilities. Business-type activities payables are 18.9 percent accrued payroll and compensated absences, 8.8 percent advances payable and 72.3 percent vendors.

### 3-F. Interfund Receivables, Payables and Transfers

At June 30, 2008, the following interfund balances were payable to the general fund:

Community development fund	\$	245,025
Nonmajor governmental funds		973,788
Nonmajor enterprise funds		<u>657,308</u>
	\$	<u><u>1,876,121</u></u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Also, certain amounts are reported as internal balances in the statement of net assets relative to the elimination of the internal service funds.

For the year ended June 30, 2008, interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 150,382	\$ 6,337,369
Community development fund	-	2,295
Nonmajor governmental funds	9,371,070	3,632,963
Enterprise funds:		
Water and wastewater fund	235,938	488,486
Nonmajor enterprise funds	1,260,646	314,443
Internal service funds	<u>542,782</u>	<u>785,262</u>
	<u><u>\$ 11,560,818</u></u>	<u><u>\$ 11,560,818</u></u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### 3-G. Long-term Debt

*General obligation bonds.* The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years for the items listed below was \$37,494,000 for the primary government and \$3,940,000 for the discretely presented component units. During the year \$8,605,000 of building authority refunding bonds were issued.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>		
2002 building authority limited tax	4.50% - 4.75%	\$ 7,795,000
2003 transportation fund bonds	2.00% - 3.25%	1,620,000
2006 dispatch equipment	3.64%	3,150,000
2008 building authority refunding	3.00% - 4.125%	<u>8,605,000</u>
		<b><u>\$21,170,000</u></b>
<b>Business-type activities</b>		
1998 building authority - golf course	4.20% - 4.50%	\$ 2,590,000
1999 building authority refunding - airport	4.25% - 4.70%	<u>920,000</u>
		<b><u>\$ 3,510,000</u></b>
<b>Discretely presented component units</b>		
2004 downtown development	5.00%	<b><u>\$ 1,575,000</u></b>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,800,000	\$ 847,939	\$ 360,000	\$ 156,165	\$ 365,000	\$ 69,443
2010	1,895,000	751,723	385,000	140,625	385,000	50,875
2011	1,980,000	678,253	400,000	123,780	400,000	31,250
2012	2,050,000	609,092	420,000	106,040	425,000	10,625
2013	1,640,000	536,996	180,000	87,065	-	-
2014-2018	6,345,000	1,875,309	1,030,000	308,285	-	-
2019-2023	5,460,000	666,206	735,000	67,050	-	-
	<u><u>\$ 21,170,000</u></u>	<u><u>\$ 5,965,518</u></u>	<u><u>\$ 3,510,000</u></u>	<u><u>\$ 989,010</u></u>	<u><u>\$ 1,575,000</u></u>	<u><u>\$ 162,193</u></u>

*Revenue bonds.* The City and its discretely presented component units also issue bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. The original amount of revenue bonds issued in prior years for the items listed below was \$23,940,000 for the primary government and \$64,305,000 for the component units. During the year, \$53,285,000 of downtown development revenue refunding bonds were issued.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Business-type activities</b>		
2001 water and wastewater system	4.00% - 4.63%	\$ 8,025,000
2003 water and wastewater refunding	2.00% - 5.00%	9,550,000
2004 water supply system refunding	2.00% - 3.50%	<u>1,650,000</u>
		<u><b>\$ 19,225,000</b></u>
<b>Discretely presented component units</b>		
1997 development refunding	4.90% - 5.25%	\$ 5,955,000
2008 downtown development refunding	3.00% - 4.125%	<u>53,285,000</u>
		<u><b>\$ 59,240,000</b></u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

Revenue bond debt service requirements to maturity are as follows:

	<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,465,000	\$ 818,550	\$ 2,385,000	\$ 3,543,544
2010	1,520,000	767,082	3,065,000	2,847,040
2011	1,575,000	708,994	3,250,000	2,693,050
2012	1,655,000	643,456	3,465,000	2,529,000
2013	1,730,000	573,281	4,240,000	2,353,750
2014-2018	8,465,000	1,555,094	22,210,000	8,484,250
2019-2021	2,815,000	266,440	20,625,000	2,649,000
	<u><u>\$ 19,225,000</u></u>	<u><u>\$ 5,332,897</u></u>	<u><u>\$ 59,240,000</u></u>	<u><u>\$ 25,099,634</u></u>

*Installment Obligations.* The government has entered into various long-term installment payment agreements. The original amount of installment obligations issued in prior years for the items listed below was \$7,998,005 for the primary government and \$8,690,000 for the discretely presented component unit. During the year the City entered into two installment obligations for \$280,000 and \$90,420 to purchase and install energy savings equipment in City Hall.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>		
1998 fire fighting equipment contract	3.65%	\$ 120,000
2007 energy savings equipment contract #1	4.66%	3,648,717
2008 energy savings equipment contract #2	4.56%	273,398
2008 energy savings equipment contract #3	4.21%	<u>90,420</u>
		<u><u>\$4,132,535</u></u>
<b>Discretely presented component unit</b>		
1992 land contract	9.00%	<u><u>\$3,084,077</u></u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

Annual debt service requirements to maturity for installment obligations are as follows:

	<u>Governmental Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 319,433	\$ 189,468	\$ 674,392	\$ 277,567
2010	208,669	174,651	735,088	216,872
2011	218,469	164,851	801,245	150,714
2012	228,730	154,589	873,352	78,602
2013	239,473	143,846	-	-
2014-2018	1,377,028	539,575	-	-
2019-2023	1,540,733	182,881	-	-
	<u><u>\$ 4,132,535</u></u>	<u><u>\$ 1,549,861</u></u>	<u><u>\$ 3,084,077</u></u>	<u><u>\$ 723,755</u></u>

*Capital Lease.* The government entered into various lease agreements for airport snow removal equipment. The original amount of capital leases issued in prior years for the items listed below was \$1,296,024 for the business-type activities. During the year the City entered into a capital lease for \$536,032 to acquire a new snow blower.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental activities</b>		
2007 computers	7.09%	<u><u>\$ 25,642</u></u>
<b>Business-type activities</b>		
2003 chassis/runway broom	4.35%	\$ 142,783
2004 snow blower	4.38%	197,172
2005 plow	5.00%	237,966
2006 runway snowplow	5.22%	274,749
2008 snow blower	4.51%	<u>485,429</u>
		<u><u>\$1,338,099</u></u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

Annual debt service requirements to maturity for the capital leases are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 8,272	\$ 1,554	\$ 172,364	\$ 62,751
2010	8,879	947	180,419	54,697
2011	8,491	294	188,850	46,266
2012	-	-	197,677	37,439
2013	-	-	167,259	28,199
2014-2017	-	-	431,530	45,079
	<u>\$ 25,642</u>	<u>\$ 2,795</u>	<u>\$ 1,338,099</u>	<u>\$ 274,431</u>

*Loans Payable.* The TIFA (a discretely presented component unit) has borrowed from the Michigan Economic Development Corporation (MEDC) to fund certain economic development activities in the Fort Custer Industrial Park. The original amount of these loans was \$1,689,670.

Loans outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Discretely presented component unit</b>		
Core communities loan	6.00%	<u>\$ 695,067</u>

Annual debt service requirements to maturity for the MEDC loans are as follows:

	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 64,723	\$ 40,266
2010	68,694	36,294
2011	72,909	32,079
2012	77,383	27,605
2013	82,132	22,857
2014-2017	329,226	38,232
	<u>\$ 695,067</u>	<u>\$ 197,333</u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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*Advance Refunding.* During the year, the Building Authority issued \$8,605,000 of limited tax general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$8,365,000 in bonds. As a result, the \$8,365,000 bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The carrying amount of the old debt exceeded the reacquisition price by \$40,491. This amount is being added to the new debt and amortized over the refunded debt's life. The advance refunding resulted in an economic gain of \$309,651 but an increase in future debt service payments of \$401,367.

*Current Refunding.* During the year, the City and DDA issued \$53,285,000 of fixed-rate limited tax general obligation refunding bonds along with \$2,130,959 of issuance premium for a current refunding of \$52,675,000 of variable-rate refunding bonds and to pay an interest rate swap termination fee of \$2,025,000 and \$715,959 of other bond issuance costs. The refunding was undertaken to lock-in a favorable fixed interest rate and eliminate the exposure to interest rate volatility. The refunded variable-rate bonds had no stated annual debt service requirements, had a nominal final maturity date of May 1, 2022, and bore interest at a rate of 4.598% before the hedge exchange provisions of the interest rate swap. The refunding bonds, which serially mature through May 1, 2022, carry interest at a fixed interest rate of 5.0%.



# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Primary Government</u></b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 22,860,000	\$ 8,605,000	\$ (10,295,000)	\$ 21,170,000	\$ 1,800,000
Installment contracts	3,943,005	370,420	(180,890)	4,132,535	319,433
Capital leases	33,350	-	(7,708)	25,642	8,272
Compensated absences	3,766,783	2,413,447	(2,543,131)	3,637,099	271,750
Add (deduct) deferred amounts:					
For issuance costs	(183,382)	(215,915)	36,969	(362,328)	-
For issuance premiums	30,021	-	(5,004)	25,017	-
For issuance discounts	-	(39,814)	3,981	(35,833)	-
On refunding	-	40,491	(4,049)	36,442	-
	<u><u>\$ 30,449,777</u></u>	<u><u>\$ 11,173,629</u></u>	<u><u>\$ (12,994,832)</u></u>	<u><u>\$ 28,628,574</u></u>	<u><u>\$ 2,399,455</u></u>
<b>Business-type activities</b>					
General obligation bonds	\$ 3,860,000	\$ -	\$ (350,000)	\$ 3,510,000	\$ 360,000
Revenue bonds	20,650,000	-	(1,425,000)	19,225,000	1,465,000
Capital leases	974,544	536,032	(172,477)	1,338,099	172,364
Add (deduct) deferred amounts:					
For issuance costs	(169,395)	-	26,090	(143,305)	-
For issuance discounts	(315,213)	-	60,752	(254,461)	-
For issuance premiums	491,117	-	(58,890)	432,227	-
On refunding	(693,354)	-	86,401	(606,953)	-
	<u><u>\$ 24,797,699</u></u>	<u><u>\$ 536,032</u></u>	<u><u>\$ (1,833,124)</u></u>	<u><u>\$ 23,500,607</u></u>	<u><u>\$ 1,997,364</u></u>
<b><u>Component Units</u></b>					
<b>DDA</b>					
Revenue bonds	\$ 53,790,000	\$ 53,285,000	\$ (53,790,000)	\$ 53,285,000	\$ 1,655,000
Add (deduct) deferred amounts:					
For issuance costs	(1,102,777)	(2,740,959)	267,560	(3,576,176)	-
For issuance premiums	-	2,130,959	(142,064)	1,988,895	-
On refunding	(3,341,598)	-	257,046	(3,084,552)	-
	<u><u>\$ 49,345,625</u></u>	<u><u>\$ 52,675,000</u></u>	<u><u>\$ (53,407,458)</u></u>	<u><u>\$ 48,613,167</u></u>	<u><u>\$ 1,655,000</u></u>
<b>TIFA</b>					
General obligation bonds	\$ 1,920,000	\$ -	\$ (345,000)	\$ 1,575,000	\$ 365,000
Revenue bonds	6,650,000	-	(695,000)	5,955,000	730,000
Land contracts	3,702,785	-	(618,708)	3,084,077	674,392
Loans payable	910,032	-	(214,965)	695,067	64,723
	<u><u>\$ 13,182,817</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,873,673)</u></u>	<u><u>\$ 11,309,144</u></u>	<u><u>\$ 1,834,115</u></u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### 3-H. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and wastewater system. Because the Water and Wastewater Fund, an individual fund that accounts entirely for the government's water and wastewater activities, is a segment and is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

### 3-I. Endowments

**Youth Center Endowment Permanent Trust Fund.** For the year ended June 30, 2008, the net appreciation on investments of donor-restricted endowments was \$110,137. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the youth center. At year-end, accumulated available net appreciation of \$80,469 is reported in unrestricted net assets; the non-expendable endowment balance is \$1,500,000.

**Kellogg Arena Endowment Permanent Trust Fund.** For the year ended June 30, 2008, the net appreciation on investments of donor-restricted endowments was \$43,729. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the Kellogg Arena. At year-end, accumulated available net appreciation of \$68,683 is reported in unrestricted net assets; the non-expendable endowment balance is \$623,533.

## NOTE 4 – OTHER INFORMATION

### 4-A. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries, as well as medical, dental and death benefits provided to employees. The City has purchased commercial insurance for employee dental and life coverages, certain property and inland marine exposures, airport liability, liquor liability, and emergency medical treatment. The City's workers' compensation exposure is handled on a self-funded basis using a third-party administrator, with excess insurance for claims greater than a self-insured retention (SIR) of \$650,000 per occurrence. As of July 1, 1986, the City's general and related liability insurance was allowed to expire; any occurrences prior to that date may be covered by liability policies previously in effect. The City now self-administers general liability and related exposures, utilizing excess liability insurance for losses greater than a SIR of \$1 million per occurrence and \$2.5 million in the aggregate, annually. The limits of the excess liability insurance have been as follows: \$15 million per occurrence effective September 1, 1999; \$5 million per occurrence effective October 1, 2002; then \$9 million per occurrence effective November 14, 2003.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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Settled claims related to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Effective October 1, 2003, the City converted from a premium-based policy for employee medical coverage to a self-funded plan, with specific stop-loss insurance that limits claim expense to \$50,000 per contract (i.e., employee and dependents), annually. Aggregate stop-loss insurance limits annual losses to 120 percent of expected claims.

The City estimates its self-insured liability for workers' compensation, medical and comprehensive general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are prepared by the City's Risk Management Department and recorded in the Self-Insurance Internal Service Fund. Changes in the estimated liability for the fiscal years ended June 30 were as follows:

	<u>2008</u>	<u>2007</u>
Estimated liability, beginning of year	\$ 4,044,375	\$ 4,280,574
Estimated claims incurred, including changes in estimates	10,041,576	9,363,799
Claim payments	<u>(9,233,032)</u>	<u>(9,599,998)</u>
<b>Estimated liability, end of year</b>	<b><u>\$ 4,852,919</u></b>	<b><u>\$ 4,044,375</u></b>

### 4-B. Property Taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Calhoun County. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the City for the 2007 levy, including industrial facilities and neighborhood enterprise zone properties, but net of renaissance zones, was \$1,670,158,270. The government's general operating tax rate for fiscal 2007-08 was 11.230 mills with an additional 3.246 mills for police and fire pension.

Property taxes for the DDA, LDDA, TIFA and BRA are derived from tax increment financing agreements with the various applicable taxing authorities. Under these arrangements, the tax increment finance entities receive the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district.

Property taxes are recognized in the fiscal year in which they are levied.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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### **4-C. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### **4-D. Postemployment Benefits**

The City provides health care benefits to certain full-time employees upon retirement, in accordance with labor agreements and/or the City Administrative Code, or in the case of police and fire personnel according to City Commission resolution. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with contributions required in varying amounts. The City purchases Medicare supplemental insurance for retirees eligible for Medicare.

*Police and Fire.* Prior to fiscal 2007, the obligation for police and fire personnel retiree health care was entirely advance-funded through the Police and Fire Retirement System (the "System"). Beginning in fiscal 2007, following negotiations and arbitration, the System became responsible for only the first \$500,000 of health care costs of the then current retirees, of which there were 208 as of June 30, 2007. Police and fire personnel retiring on or after July 1, 2007 receive their health care benefits through either the Voluntary Employees Beneficiary Association or Fire Retiree Health Care trust fund, which are employee contributory plans (that are presented as other employee benefit trust funds in the accompanying combining financial statements).

During the year ended June 30, 2008, the City contributed \$500,000 to the System for retiree health care and the System paid \$500,000 for retiree health care costs; an additional \$1,091,694 of police and fire personnel retiree health care costs were paid by the City from non-trust monies. The City also contributed \$477,659 to the other employee benefit trust funds for the year; employee contributions to the other employee benefit trust funds were \$314,164. No retiree health care costs were paid from the other employee benefit trust funds during the year.

The City is not yet required to adopt and has not elected to early implement GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The City will adopt GASB Statement No. 45 for the 2009 fiscal year.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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*Other City Employees.* For all other eligible City employees, the City contributes a maximum of \$200 per month towards the purchase of retire health care. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due. During the year, 139 retirees were eligible, resulting in expenditures of \$255,553.

### **4-E. Defined Benefit Pension Plans**

#### **Police and Fire Retirement System**

The Police and Fire Retirement System (the “System”) is a single-employer defined benefit pension plan that provides retirement, health, disability and death benefits to all full-time police and fire personnel of the City, subject to the limitations on health care benefits described in Note 4-D. The System is administered by the Retirement Board of the Police and Fire Retirement System. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the System at 10 North Division Street, Battle Creek, MI 49014.

The financial statements of the System are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City’s contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values. Administrative costs are financed through investment earnings.

Plan members are required to contribute between 7.5% to 10% of their annual covered wages to the System for pension benefits, depending on the bargaining unit. The City is required to contribute such additional amounts as necessary, based on actuarial determinations, to provide assets sufficient to pay for member benefits. The City’s pension contribution to the System for the year ended June 30, 2008 amounted to 23.33% of annual covered payroll, including a \$500,000 fixed amount for retiree healthcare benefits.

Plan benefit provisions were established and may be amended under the authority of City Ordinances. Contribution requirements were established and may be amended subject to collective bargaining agreements and approval by the System Retirement Board and City Commission.

The annual required contribution (ARC) for the year ended June 30, 2008 for pension was \$3,117,333. The ARC was made by the City. There was no net pension obligation at the beginning nor the end of the fiscal year.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

### Three-Year Trend Information *(pension only)*

Years Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage <u>Contributed</u>	Net Pension <u>Obligation</u>
2006	\$ 2,458,298	100%	\$ -
2007	2,877,942	100%	-
2008	3,117,333	100%	-

The funded status of the pension portion of the System as of December 31, 2007, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	(1)	\$ 121,823,413	
Actuarial value of assets	(2)	<u>108,245,308</u>	
Unfunded AAL (UAAL)	(3)	<u>\$ 13,578,105</u>	(1) - (2)
 Funded ratio	 (4)	 <u>88.9%</u>	 (2) / (1)
 Covered payroll	 (5)	 <u>\$ 12,358,265</u>	
 UAAL as % of covered payroll	 (6)	 <u>109.9%</u>	 (2) / (5)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For purposes of the schedule of funding progress, the actuarial accrued liability value as shown is determined using the entry age actuarial cost method.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the System by the employer in comparison to the ARC (annual required contribution), an amount that is actuarially determined in accordance with the parameters of GASB Statement 25. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation includes:

Valuation date	June 30, 2007
Actuarial cost method	Entry-age
Amortization method	Level percent-of-payroll
Remaining amortization period	30 year open
Asset valuation method	5-year smoothed market w/ 20% corridor
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases*	4.5% to 8.5%
Assume rate of payroll growth	4.5%
Cost-of-living adjustments	None

GASB Statement 25 required supplementary information is presented after the notes to the financial statements section of this report.

### **Municipal Employees Retirement System of Michigan**

The City also participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

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The City is required to contribute at an actuarially determined rate; the current rate is 16.90% of annual covered payroll. City employees are required to contribute 0.0% to 2.76% of their annual covered payroll, depending on the applicable bargaining unit. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the City.

For the year ended June 30, 2008, the City's annual pension cost of \$3,156,276 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006, the date of the latest actuarial valuation, was 25 years.

### **Three-Year Trend Information**

<b><u>Annual Years Ended June 30,</u></b>	<b><u>Pension Cost (APC)</u></b>	<b><u>Percentage Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
2006	\$ 2,865,291	100%	\$ -
2007	2,822,291	100%	-
2008	3,156,276	100%	-



# CITY OF BATTLE CREEK, MICHIGAN

## Notes To Financial Statements

### Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL) Entry Age</b>	<b>(b-a) Unfunded AAL (UAAL)</b>	<b>Funded Ratio Total</b>	<b>(c) Covered Payroll</b>	<b>((b-a)/c) UAAL as a Percentage of Covered Payroll</b>
12/31/05	\$73,555,512	\$98,161,300	\$24,605,788	75%	\$18,925,044	130%
12/31/06	78,530,625	103,019,360	24,488,735	76%	18,983,516	129%
12/31/07	83,685,510	108,343,302	24,657,792	77%	19,277,569	128%

#### 4-F. Restatements

The beginning fund balance of the general fund and the beginning net assets of the governmental activities were each reduced by \$302,236 to correct for a certain receivable accrual that should have been reversed in a prior year.

\* \* \* \* \*

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BATTLE CREEK, MICHIGAN**  
**Police and Fire Retirement System**  
**Required Supplementary Information**

**Schedule of Funding Progress - Pension Only**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (A)</b>	<b>Actuarial Accrued Liability (AAL) (B)</b>	<b>Over (Under) Funded AAL (OAAL/UAAL) (A-B)</b>	<b>Funded Ratio (A/B)</b>	<b>Covered Payroll (C)</b>	<b>OAAL/UAAL as a % of Covered Payroll</b>
6/30/1998	\$ 79,796,431	\$ 74,796,184	\$ 5,000,247	106.7%	\$ 9,813,441	51.0%
6/30/1999	87,617,793	78,285,848	9,331,945	111.9%	9,749,682	95.7%
6/30/2000	95,548,441	83,980,778	11,567,663	113.8%	11,235,312	103.0%
6/30/2001	101,190,705	87,909,496	13,281,209	115.1%	11,615,098	114.3%
6/30/2002	103,950,731	95,368,883	8,581,848	109.0%	11,907,553	72.1%
6/30/2003	103,655,770	100,346,606	3,309,164	103.3%	11,855,130	27.9%
6/30/2004	103,745,735	104,336,169	(590,434)	99.4%	12,114,360	-4.9%
6/30/2005	102,755,663	110,487,311	(7,731,648)	93.0%	12,085,192	-64.0%
6/30/2006	103,283,413	114,501,359	(11,217,946)	90.2%	12,283,787	-91.3%
6/30/2007	108,245,308	121,823,413	(13,578,105)	88.9%	12,358,265	-109.9%

**Schedule of Employer Contributions - Pension Only**

<b>Year Ended June 30</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
1998	\$ 1,908,106	100%
1999	1,337,217	100%
2000	1,059,179	100%
2001	732,366	100%
2002	622,566	100%
2003	468,005	100%
2004	1,268,053	100%
2005	1,824,879	100%
2006	2,458,298	100%
2007	2,877,942	100%
2008	3,117,333	100%

**COMBINING and INDIVIDUAL FUND FINANCIAL  
STATEMENTS and SCHEDULES**

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2008**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
<b>Assets</b>					
Pooled cash and investments	\$ 1,400,045	\$ 61,963	\$ 4,013,212	\$ 3,160,671	\$ 8,635,891
Receivables:					
Interest	9,246	520	18,354	18,705	46,825
Accounts	993,830	-	66,690	-	1,060,520
Special assessments	-	-	-	114,786	114,786
Grants	320,433	-	-	-	320,433
Inventories	15,933	-	-	-	15,933
Prepaid items	29,669	-	-	-	29,669
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 2,769,156</u>	<u>\$ 62,483</u>	<u>\$ 4,098,256</u>	<u>\$ 3,294,162</u>	<u>\$ 10,224,057</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 80,152	\$ -	\$ -	\$ -	\$ 80,152
Retentions, deposits and other liabilities	147,903	-	97,505	-	245,408
Interfund payable	973,788	-	-	-	973,788
Deferred revenue	157,143	-	-	114,786	271,929
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	1,358,986	-	97,505	114,786	1,571,277
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balances</b>					
Reserved for inventories	15,933	-	-	-	15,933
Reserved for prepaid items	29,669	-	-	-	29,669
Reserved for encumbrances	211,542	-	-	-	211,542
Reserved for endowment	-	-	-	2,123,533	2,123,533
Unreserved:					
Designated for:					
Future departmental appropriations	-	-	845,097	-	845,097
Subsequent year expenditures	238,041	-	-	-	238,041
Undesignated	914,985	62,483	3,155,654	1,055,843	5,188,965
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	1,410,170	62,483	4,000,751	3,179,376	8,652,780
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 2,769,156</u>	<u>\$ 62,483</u>	<u>\$ 4,098,256</u>	<u>\$ 3,294,162</u>	<u>\$ 10,224,057</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Permanent</b>	<b>Totals</b>
<b>Revenues</b>					
Intergovernmental	\$ 6,894,182	\$ -	\$ 620,016	\$ -	\$ 7,514,198
Charges for services	1,597,436	-	-	-	1,597,436
Investment income	79,856	43,261	209,806	153,866	486,789
Other	654,614	1,374,906	1,550	117,991	2,149,061
Total revenues	<u>9,226,088</u>	<u>1,418,167</u>	<u>831,372</u>	<u>271,857</u>	<u>11,747,484</u>
<b>Expenditures</b>					
Current expenditures:					
General government	1,442,556	-	2,714,512	-	4,157,068
Public safety	579,134	-	-	-	579,134
Highway and streets	7,312,313	-	4,287,175	-	11,599,488
Parks and recreation	1,344,834	-	-	-	1,344,834
Community development	302,336	-	-	-	302,336
Unallocated	-	-	-	363,556	363,556
Debt service:					
Principal retirement	330,000	1,665,890	-	115,000	2,110,890
Interest	120,666	799,372	-	8,198	928,236
Bond issuance costs	-	215,915	-	-	215,915
Capital outlay	-	-	168,949	-	168,949
Total expenditures	<u>11,431,839</u>	<u>2,681,177</u>	<u>7,170,636</u>	<u>486,754</u>	<u>21,770,406</u>
Revenues under expenditures	<u>(2,205,751)</u>	<u>(1,263,010)</u>	<u>(6,339,264)</u>	<u>(214,897)</u>	<u>(10,022,922)</u>
<b>Other financing sources (uses)</b>					
Issuance of debt	-	-	370,420	-	370,420
Issuance of refunding bonds	-	8,605,000	-	-	8,605,000
Discount on refunding bonds	-	(39,814)	-	-	(39,814)
Payment to refunding bond escrow agent	-	(8,556,980)	-	-	(8,556,980)
Transfers in	3,064,581	1,312,082	4,804,144	190,263	9,371,070
Transfers out	(2,041,049)	(1,094,144)	(196,770)	(301,000)	(3,632,963)
Proceeds from sales of capital assets	229,348	-	-	-	229,348
Total other financing sources	<u>1,252,880</u>	<u>226,144</u>	<u>4,977,794</u>	<u>(110,737)</u>	<u>6,346,081</u>
Net change in fund balances	<u>(952,871)</u>	<u>(1,036,866)</u>	<u>(1,361,470)</u>	<u>(325,634)</u>	<u>(3,676,841)</u>
Fund balances, beginning of year	<u>2,363,041</u>	<u>1,099,349</u>	<u>5,362,221</u>	<u>3,505,010</u>	<u>12,329,621</u>
<b>Fund balances, end of year</b>	<u>\$ 1,410,170</u>	<u>\$ 62,483</u>	<u>\$ 4,000,751</u>	<u>\$ 3,179,376</u>	<u>\$ 8,652,780</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Special Revenue Funds**  
**June 30, 2008**

	<b>Major Street and Trunkline Maintenance</b>	<b>Local Street</b>	<b>Special Grants</b>	<b>HOME Program</b>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ -	\$ -	\$ 517,000	\$ -
Receivables:				
Interest	3,834	3,203	-	-
Accounts	644,278	162,354	-	-
Grants	-	-	140,195	180,238
Inventories	-	-	-	-
Prepaid items	1,658	-	8,500	-
	<u>1,658</u>	<u>-</u>	<u>8,500</u>	<u>-</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 649,770</u>	<u>\$ 165,557</u>	<u>\$ 665,695</u>	<u>\$ 180,238</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Retentions, deposits and other liabilities	-	-	2,168	-
Interfund payable	639,535	154,015	-	180,238
Deferred revenue	-	-	144,843	-
	<u>-</u>	<u>-</u>	<u>144,843</u>	<u>-</u>
Total liabilities	<u>639,535</u>	<u>154,015</u>	<u>147,011</u>	<u>180,238</u>
<b>Fund balances</b>				
Reserved for inventories	-	-	-	-
Reserved for prepaid items	1,658	-	8,500	-
Reserved for encumbrances	8,577	1,599	183,878	-
Unreserved:				
Designated for subsequent year expenditures	-	9,943	-	-
Undesignated	-	-	326,306	-
	<u>-</u>	<u>-</u>	<u>326,306</u>	<u>-</u>
Total fund balances	<u>10,235</u>	<u>11,542</u>	<u>518,684</u>	<u>-</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 649,770</u>	<u>\$ 165,557</u>	<u>\$ 665,695</u>	<u>\$ 180,238</u>

<b>Michigan Justice Training</b>	<b>Narcotics Forfeiture</b>	<b>Public Safety Communications</b>	<b>Kellogg Arena</b>	<b>Total</b>
\$ 14,260	\$ 215,023	\$ 433,741	\$ 220,021	\$ 1,400,045
-	2,209	-	-	9,246
-	-	-	187,198	993,830
-	-	-	-	320,433
-	-	-	15,933	15,933
-	-	-	19,511	29,669
<u>\$ 14,260</u>	<u>\$ 217,232</u>	<u>\$ 433,741</u>	<u>\$ 442,663</u>	<u>\$ 2,769,156</u>
\$ -	\$ -	\$ 10,200	\$ 69,952	\$ 80,152
-	145,735	-	-	147,903
-	-	-	-	973,788
-	-	-	12,300	157,143
<u>-</u>	<u>145,735</u>	<u>10,200</u>	<u>82,252</u>	<u>1,358,986</u>
-	-	-	15,933	15,933
-	-	-	19,511	29,669
-	-	17,488	-	211,542
-	-	228,098	-	238,041
<u>14,260</u>	<u>71,497</u>	<u>177,955</u>	<u>324,967</u>	<u>914,985</u>
<u>14,260</u>	<u>71,497</u>	<u>423,541</u>	<u>360,411</u>	<u>1,410,170</u>
<u>\$ 14,260</u>	<u>\$ 217,232</u>	<u>\$ 433,741</u>	<u>\$ 442,663</u>	<u>\$ 2,769,156</u>



**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2008**

	<b>Major Street and Trunkline Maintenance</b>	<b>Local Street</b>	<b>Special Grants</b>	<b>HOME Program</b>
<b>Revenues</b>				
Intergovernmental	\$ 4,204,269	\$ 990,798	\$ 1,063,710	\$ 291,347
Charges for services	-	-	-	-
Interest	35,830	18,249	2,175	-
Contributions and donations	-	-	593,626	-
Loan collection (distribution) and other	18,994	3,690	-	11,754
	<u>4,259,093</u>	<u>1,012,737</u>	<u>1,659,511</u>	<u>303,101</u>
<b>Expenditures</b>				
Current expenditures:				
General government	-	-	1,183,813	-
Public safety	-	-	349,594	-
Highways and streets	3,880,715	3,431,598	-	-
Parks and recreation	-	-	-	-
Community development	-	-	-	302,336
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>3,880,715</u>	<u>3,431,598</u>	<u>1,533,407</u>	<u>302,336</u>
Total expenditures	<u>3,880,715</u>	<u>3,431,598</u>	<u>1,533,407</u>	<u>302,336</u>
Revenues over (under) expenditures	<u>378,378</u>	<u>(2,418,861)</u>	<u>126,104</u>	<u>765</u>
<b>Other financing sources (uses)</b>				
Transfers in	175,000	2,645,000	19,581	-
Transfers out	(1,770,911)	(234,991)	-	(765)
Proceeds from sales of capital assets	-	-	229,348	-
	<u>(1,595,911)</u>	<u>2,410,009</u>	<u>248,929</u>	<u>(765)</u>
Total other financing sources (uses)	<u>(1,595,911)</u>	<u>2,410,009</u>	<u>248,929</u>	<u>(765)</u>
Net change in fund balances	(1,217,533)	(8,852)	375,033	-
Fund balances, beginning of year	<u>1,227,768</u>	<u>20,394</u>	<u>143,651</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 10,235</u></u>	<u><u>\$ 11,542</u></u>	<u><u>\$ 518,684</u></u>	<u><u>\$ -</u></u>

<b>Michigan Justice Training</b>	<b>Narcotics Forfeiture</b>	<b>Public Safety Communications</b>	<b>Kellogg Arena</b>	<b>Total</b>
\$ 25,785	\$ 101,899	\$ 41,374	\$ 175,000	\$ 6,894,182
-	-	435,292	1,162,144	1,597,436
-	23,602	-	-	79,856
-	-	-	-	593,626
-	26,550	-	-	60,988
25,785	152,051	476,666	1,337,144	9,226,088
23,898	234,845	-	-	1,442,556
-	-	229,540	-	579,134
-	-	-	-	7,312,313
-	-	-	1,344,834	1,344,834
-	-	-	-	302,336
-	-	330,000	-	330,000
-	-	120,666	-	120,666
23,898	234,845	680,206	1,344,834	11,431,839
1,887	(82,794)	(203,540)	(7,690)	(2,205,751)
-	-	200,000	25,000	3,064,581
-	(34,382)	-	-	(2,041,049)
-	-	-	-	229,348
-	(34,382)	200,000	25,000	1,252,880
1,887	(117,176)	(3,540)	17,310	(952,871)
12,373	188,673	427,081	343,101	2,363,041
<u>\$ 14,260</u>	<u>\$ 71,497</u>	<u>\$ 423,541</u>	<u>\$ 360,411</u>	<u>\$ 1,410,170</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Final Budget and Actual - Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2008**

	<b>Major Street and Trunkline Maintenance Fund</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Intergovernmental revenue	\$ 4,775,000	\$ 4,204,269	\$ (570,731)
Charges for services	-	-	-
Interest	30,000	35,830	5,830
Contributions and donations	-	-	-
Loan collection (distribution) and other	-	18,994	18,994
Total revenues	<u>4,805,000</u>	<u>4,259,093</u>	<u>(545,907)</u>
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	3,769,162	3,880,715	111,553
Parks and recreation	-	-	-
Community development	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>3,769,162</u>	<u>3,880,715</u>	<u>111,553</u>
Revenues over (under) expenditures	<u>1,035,838</u>	<u>378,378</u>	<u>(657,460)</u>
<b>Other financing sources (uses)</b>			
Transfers in	175,000	175,000	-
Transfers out	(1,770,911)	(1,770,911)	-
Proceeds from sales of capital assets	-	-	-
Total other financing sources (uses)	<u>(1,595,911)</u>	<u>(1,595,911)</u>	<u>-</u>
Net change in fund balances	(560,073)	(1,217,533)	(657,460)
Fund balances, beginning of year	<u>1,227,768</u>	<u>1,227,768</u>	<u>-</u>
<b>Fund balances (deficits), end of year</b>	<u>\$ 667,695</u>	<u>\$ 10,235</u>	<u>\$ (657,460)</u>

Local Street Fund			Special Grants Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 1,012,000	\$ 990,798	\$ (21,202)	\$ 1,714,357	\$ 1,063,710	\$ (650,647)
-	-	-	-	-	-
30,000	18,249	(11,751)	-	2,175	2,175
-	-	-	700,853	593,626	(107,227)
-	3,690	3,690	912	-	(912)
1,042,000	1,012,737	(29,263)	2,416,122	1,659,511	(756,611)
-	-	-	2,424,151	1,183,813	(1,240,338)
-	-	-	688,055	349,594	(338,461)
3,505,309	3,431,598	(73,711)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,505,309	3,431,598	(73,711)	3,112,206	1,533,407	(1,578,799)
(2,463,309)	(2,418,861)	44,448	(696,084)	126,104	822,188
2,645,000	2,645,000	-	21,750	19,581	(2,169)
(234,824)	(234,991)	(167)	-	-	-
-	-	-	504,708	229,348	(275,360)
2,410,176	2,410,009	(167)	526,458	248,929	(277,529)
(53,133)	(8,852)	44,281	(169,626)	375,033	544,659
53,133	20,394	32,739	169,626	143,651	25,975
\$ -	\$ 11,542	\$ 11,542	\$ -	\$ 518,684	\$ 518,684

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Final Budget and Actual - Nonmajor Special Revenue Funds (Continued)**  
**For the Year Ended June 30, 2008**

	<b>HOME Program Fund</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Intergovernmental revenue	\$ 888,150	\$ 291,347	\$ (596,803)
Charges for services	-	-	-
Interest	-	-	-
Contributions and donations	-	-	-
Loan collection (distribution) and other	11,754	11,754	-
	<u>899,904</u>	<u>303,101</u>	<u>(596,803)</u>
Total revenues			
	<u>899,904</u>	<u>303,101</u>	<u>(596,803)</u>
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	899,139	302,336	(596,803)
Debt service:			
Principal	-	-	-
Interest	-	-	-
	<u>899,139</u>	<u>302,336</u>	<u>(596,803)</u>
Total expenditures			
	<u>899,139</u>	<u>302,336</u>	<u>(596,803)</u>
Revenues over (under) expenditures	<u>765</u>	<u>765</u>	<u>-</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	(765)	(765)	-
Proceeds from sales of capital assets	-	-	-
	<u>(765)</u>	<u>(765)</u>	<u>-</u>
Total other financing sources (uses)			
	<u>(765)</u>	<u>(765)</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	-	-	-
<b>Fund balances (deficits), end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Michigan Justice Training Fund			Narcotics Forfeiture Fund		
Final Budget	Actual	Actual Over (Under) Final Budget	Final Budget	Actual	Actual Over (Under) Final Budget
\$ 25,500	\$ 25,785	\$ 285	\$ 101,899	\$ 101,899	\$ -
-	-	-	-	-	-
-	-	-	24,111	23,602	(509)
-	-	-	-	-	-
-	-	-	26,524	26,550	26
25,500	25,785	285	152,534	152,051	(483)
37,873	23,898	(13,975)	218,152	234,845	16,693
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
37,873	23,898	(13,975)	218,152	234,845	16,693
(12,373)	1,887	14,260	(65,618)	(82,794)	(17,176)
-	-	-	-	-	-
-	-	-	(34,382)	(34,382)	-
-	-	-	-	-	-
-	-	-	(34,382)	(34,382)	-
(12,373)	1,887	14,260	(100,000)	(117,176)	(17,176)
12,373	12,373	-	188,673	188,673	-
\$ -	\$ 14,260	\$ 14,260	\$ 88,673	\$ 71,497	\$ (17,176)

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Final Budget and Actual - Nonmajor Special Revenue Funds (Concluded)**  
**For the Year Ended June 30, 2008**

	<b>Public Safety Communications</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenues</b>			
Intergovernmental revenue	\$ 39,782	\$ 41,374	\$ 1,592
Charges for services	480,000	435,292	(44,708)
Interest	-	-	-
Contributions and donations	-	-	-
Loan collection (distribution) and other	-	-	-
Total revenues	519,782	476,666	(43,116)
<b>Expenditures</b>			
Current expenditures:			
General government	-	-	-
Public safety	540,143	229,540	(310,603)
Highways and streets	-	-	-
Parks and recreation	-	-	-
Community development	-	-	-
Debt service:			
Principal	330,000	330,000	-
Interest	120,666	120,666	-
Total expenditures	990,809	680,206	(310,603)
Revenues over (under) expenditures	(471,027)	(203,540)	267,487
<b>Other financing sources (uses)</b>			
Transfers in	200,000	200,000	-
Transfers out	-	-	-
Proceeds from sales of capital assets	-	-	-
Total other financing sources (uses)	200,000	200,000	-
Net change in fund balances	(271,027)	(3,540)	267,487
Fund balances, beginning of year	427,081	427,081	-
<b>Fund balances, end of year</b>	<b>\$ 156,054</b>	<b>\$ 423,541</b>	<b>\$ 267,487</b>

<b>Kellogg Arena Fund</b>		
<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
\$ 175,000	\$ 175,000	\$ -
1,247,483	1,162,144	(85,339)
-	-	-
-	-	-
-	-	-
1,422,483	1,337,144	(85,339)
-	-	-
-	-	-
-	-	-
1,420,838	1,344,834	(76,004)
-	-	-
-	-	-
-	-	-
1,420,838	1,344,834	(76,004)
1,645	(7,690)	(9,335)
-	25,000	25,000
-	-	-
-	-	-
-	25,000	25,000
1,645	17,310	15,665
343,101	343,101	-
\$ 344,746	\$ 360,411	\$ 15,665



**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Debt Service Funds**  
**June 30, 2008**

	<b>DPW Building</b>	<b>Building Authority Bonds</b>	<b>Special Assessment Debt Service</b>	<b>Michigan Transportation Fund Bonds Debt Service</b>	<b>Energy Savings</b>	<b>Total</b>
<b><u>ASSETS</u></b>						
<b>Assets</b>						
Pooled cash and investments	\$ 3	\$ 4,501	\$ 56,459	\$ 1,000	\$ -	\$ 61,963
Receivables:						
Interest	-	36	476	8	-	520
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 3</u></b>	<b><u>\$ 4,537</u></b>	<b><u>\$ 56,935</u></b>	<b><u>\$ 1,008</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 62,483</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Fund balances</b>						
Unreserved, undesignated	<u>\$ 3</u>	<u>\$ 4,537</u>	<u>\$ 56,935</u>	<u>\$ 1,008</u>	<u>\$ -</u>	<u>\$ 62,483</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Nonmajor Debt Service Funds**  
**For the Year Ended June 30, 2008**

	<b>DPW Building</b>	<b>Building Authority Bonds</b>	<b>Special Assessment Debt Service</b>	<b>Michigan Transportation Fund Bonds Debt Service</b>	<b>Energy Savings</b>	<b>Total</b>
<b>Revenues</b>						
Interest	\$ -	\$ 281	\$ 42,917	\$ 63	\$ -	\$ 43,261
Local sources	-	1,374,906	-	-	-	1,374,906
Total revenues	-	1,375,187	42,917	63	-	1,418,167
<b>Expenditures</b>						
Debt service:						
Principal retirement	395,000	910,000	-	295,000	65,890	1,665,890
Interest	380,144	257,197	(14,017)	54,469	121,579	799,372
Bond issuance costs	-	215,915	-	-	-	215,915
Total expenditures	775,144	1,383,112	(14,017)	349,469	187,469	2,681,177
Revenues over (under) expenditures	(775,144)	(7,925)	56,934	(349,406)	(187,469)	(1,263,010)
<b>Other financing sources (uses)</b>						
Issuance of refunding bonds	-	8,605,000	-	-	-	8,605,000
Discount on refunding bonds	-	(39,814)	-	-	-	(39,814)
Payment to refunding bond escrow agent	-	(8,556,980)	-	-	-	(8,556,980)
Transfers in	775,144	-	-	349,469	187,469	1,312,082
Transfers out	-	-	(1,094,144)	-	-	(1,094,144)
Total other financing sources	775,144	8,206	(1,094,144)	349,469	187,469	226,144
Net change in fund balances	-	281	(1,037,210)	63	-	(1,036,866)
Fund balances, beginning of year	3	4,256	1,094,145	945	-	1,099,349
<b>Fund balances, end of year</b>	<b>\$ 3</b>	<b>\$ 4,537</b>	<b>\$ 56,935</b>	<b>\$ 1,008</b>	<b>\$ -</b>	<b>\$ 62,483</b>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Capital Projects Funds**  
**June 30, 2008**

	<u>Street Projects</u>	<u>Justice Center Construction</u>	<u>General Capital Improvement</u>	<u>Dispatch Capital Improvement</u>	<u>Energy Savings</u>	<u>Total</u>
<b><u>ASSETS</u></b>						
<b>Assets</b>						
Pooled cash and investments	\$ 1,550,919	\$ 6,964	\$ 1,112,785	\$ 1,197,020	\$ 145,524	\$ 4,013,212
Receivables:						
Interest	-	55	8,779	9,520	-	18,354
Accounts	66,690	-	-	-	-	66,690
<b><u>TOTAL ASSETS</u></b>	<u>\$ 1,617,609</u>	<u>\$ 7,019</u>	<u>\$ 1,121,564</u>	<u>\$ 1,206,540</u>	<u>\$ 145,524</u>	<u>\$ 4,098,256</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Retentions, deposits and other liabilities	\$ 97,505	\$ -	\$ -	\$ -	\$ -	\$ 97,505
<b>Fund balances - unreserved</b>						
Designated for future departmental appropriations	-	-	845,097	-	-	845,097
Undesignated	1,520,104	7,019	276,467	1,206,540	145,524	3,155,654
Total fund balances	1,520,104	7,019	1,121,564	1,206,540	145,524	4,000,751
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<u>\$ 1,617,609</u>	<u>\$ 7,019</u>	<u>\$ 1,121,564</u>	<u>\$ 1,206,540</u>	<u>\$ 145,524</u>	<u>\$ 4,098,256</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenue, Expenditures and**  
**Changes in Fund Balance - Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2008**

	<u>Street Projects</u>	<u>Justice Center Construction</u>	<u>General Capital Improvement</u>	<u>Dispatch Capital Improvement</u>	<u>Energy Savings</u>	<u>Total</u>
<b>Revenue</b>						
Intergovernmental	\$ 620,016	\$ -	\$ -	\$ -	\$ -	\$ 620,016
Investment income	-	438	77,538	78,818	53,012	209,806
Other	1,550	-	-	-	-	1,550
Total revenue	<u>621,566</u>	<u>438</u>	<u>77,538</u>	<u>78,818</u>	<u>53,012</u>	<u>831,372</u>
<b>Expenditures</b>						
General government	-	-	18,285	-	2,696,227	2,714,512
Highways and streets	4,232,592	-	54,583	-	-	4,287,175
Capital outlay	-	-	-	168,949	-	168,949
Total expenditures	<u>4,232,592</u>	<u>-</u>	<u>72,868</u>	<u>168,949</u>	<u>2,696,227</u>	<u>7,170,636</u>
Revenue over (under) expenditures	<u>(3,611,026)</u>	<u>438</u>	<u>4,670</u>	<u>(90,131)</u>	<u>(2,643,215)</u>	<u>(6,339,264)</u>
<b>Other financing sources (uses)</b>						
Issuance of debt	-	-	-	-	370,420	370,420
Transfers in	4,754,144	-	50,000	-	-	4,804,144
Transfers out	-	-	(196,770)	-	-	(196,770)
Total other financing sources	<u>4,754,144</u>	<u>-</u>	<u>(146,770)</u>	<u>-</u>	<u>370,420</u>	<u>4,977,794</u>
Net change in fund balances	1,143,118	438	(142,100)	(90,131)	(2,272,795)	(1,361,470)
Fund balances, beginning of year	<u>376,986</u>	<u>6,581</u>	<u>1,263,664</u>	<u>1,296,671</u>	<u>2,418,319</u>	<u>5,362,221</u>
<b>Fund balances, end of year</b>	<u>\$ 1,520,104</u>	<u>\$ 7,019</u>	<u>\$ 1,121,564</u>	<u>\$ 1,206,540</u>	<u>\$ 145,524</u>	<u>\$ 4,000,751</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Balance Sheet - Nonmajor Permanent Funds**  
**June 30, 2008**

	<b>Youth Center Endowment</b>	<b>Kellogg Arena Endowment</b>	<b>Special Project Reserves</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ 1,567,218	\$ 686,762	\$ 906,691	\$ 3,160,671
Interest receivable	13,251	5,454	-	18,705
Special assessments receivable	-	-	114,786	114,786
	<u>-</u>	<u>-</u>	<u>114,786</u>	<u>114,786</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,580,469</u></b>	<b><u>\$ 692,216</u></b>	<b><u>\$ 1,021,477</u></b>	<b><u>\$ 3,294,162</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Deferred revenue	\$ -	\$ -	\$ 114,786	\$ 114,786
	<u>-</u>	<u>-</u>	<u>114,786</u>	<u>114,786</u>
<b>Fund balances</b>				
Reserved:				
Youth Center	1,500,000	-	-	1,500,000
Kellogg Arena	-	623,533	-	623,533
Unreserved, undesignated	80,469	68,683	906,691	1,055,843
	<u>80,469</u>	<u>68,683</u>	<u>906,691</u>	<u>1,055,843</u>
Total fund balances	1,580,469	692,216	906,691	3,179,376
	<u>1,580,469</u>	<u>692,216</u>	<u>906,691</u>	<u>3,179,376</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 1,580,469</u></b>	<b><u>\$ 692,216</u></b>	<b><u>\$ 1,021,477</u></b>	<b><u>\$ 3,294,162</u></b>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Nonmajor Permanent Funds**  
**For the Year Ended June 30, 2008**

	<u>Youth Center Endowment</u>	<u>Kellogg Arena Endowment</u>	<u>Special Project Reserves</u>	<u>Total</u>
<b>Revenues</b>				
Investment income	\$ 110,137	\$ 43,729	\$ -	\$ 153,866
Contributions and donations	-	-	483	483
Other	120	-	117,388	117,508
	<u>110,257</u>	<u>43,729</u>	<u>117,871</u>	<u>271,857</u>
Total revenues	<u>110,257</u>	<u>43,729</u>	<u>117,871</u>	<u>271,857</u>
<b>Expenditures</b>				
Unallocated	181,319	-	182,237	363,556
Debt service:				
Principal	-	-	115,000	115,000
Interest	-	-	8,198	8,198
	<u>181,319</u>	<u>-</u>	<u>305,435</u>	<u>486,754</u>
Total expenditures	<u>181,319</u>	<u>-</u>	<u>305,435</u>	<u>486,754</u>
Revenues over (under) expenditures	<u>(71,062)</u>	<u>43,729</u>	<u>(187,564)</u>	<u>(214,897)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	190,263	190,263
Transfers out	(116,000)	(25,000)	(160,000)	(301,000)
	<u>(116,000)</u>	<u>(25,000)</u>	<u>30,263</u>	<u>(110,737)</u>
Total other financing sources	<u>(116,000)</u>	<u>(25,000)</u>	<u>30,263</u>	<u>(110,737)</u>
Net change in fund balances	(187,062)	18,729	(157,301)	(325,634)
Fund balances, beginning of year	<u>1,767,531</u>	<u>673,487</u>	<u>1,063,992</u>	<u>3,505,010</u>
<b>Fund balances, end of year</b>	<u><u>\$ 1,580,469</u></u>	<u><u>\$ 692,216</u></u>	<u><u>\$ 906,691</u></u>	<u><u>\$ 3,179,376</u></u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Net Assets - Nonmajor Enterprise Funds**  
**June 30, 2008**

	<b>Binder Park Golf Course</b>	<b>Automobile Parking System</b>	<b>FAA</b>	<b>Battle Creek Transit System</b>
<b>Assets</b>				
Current assets:				
Pooled cash and investments	\$ -	\$ 377,995	\$ 412,610	\$ -
Receivables:				
Interest	954	3,154	4	-
Accounts	9,242	-	-	-
Grants	-	-	-	723,335
Inventories	91,652	-	-	72,662
Prepaid items	-	-	-	1,997
Other assets	-	-	-	30,145
Total current assets	<u>101,848</u>	<u>381,149</u>	<u>412,614</u>	<u>828,139</u>
Noncurrent assets:				
Capital assets, net	<u>3,122,538</u>	<u>6,688,065</u>	<u>1,999,980</u>	<u>3,556,407</u>
Total assets	<u>3,224,386</u>	<u>7,069,214</u>	<u>2,412,594</u>	<u>4,384,546</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	-	-	-
Accrued payroll and compensated absences	11,578	-	-	95,540
Other liabilities	-	-	-	-
Accrued interest payable	47,600	-	10,481	-
Interfund payable	567,124	-	-	90,184
Unearned revenue	8,375	-	-	-
Current portion of leases payable	-	-	-	-
Current portion of bonds payable	<u>150,000</u>	<u>-</u>	<u>210,000</u>	<u>-</u>
Total current liabilities	<u>784,677</u>	<u>-</u>	<u>220,481</u>	<u>185,724</u>
Noncurrent liabilities -				
Advance from component unit	-	-	397,540	-
Leases payable	-	-	-	-
Bonds payable	<u>2,440,000</u>	<u>-</u>	<u>701,738</u>	<u>-</u>
Total liabilities	<u>3,224,677</u>	<u>-</u>	<u>1,319,759</u>	<u>185,724</u>
<b>Net assets (deficit)</b>				
Invested in capital assets, net of related debt	532,538	6,688,065	1,088,242	3,556,407
Unrestricted (deficit)	<u>(532,829)</u>	<u>381,149</u>	<u>4,593</u>	<u>642,415</u>
Total net assets (deficit)	<u>\$ (291)</u>	<u>\$ 7,069,214</u>	<u>\$ 1,092,835</u>	<u>\$ 4,198,822</u>

<b>Solid Waste Collection</b>	<b>W.K. Kellogg Airport</b>	<b>Fiber Conduit</b>	<b>Total</b>
\$ 105,779	\$ 817,026	\$ -	\$ 1,713,410
1,438	13,105	-	18,655
195,672	-	-	204,914
-	-	-	723,335
-	-	-	164,314
-	-	-	1,997
-	-	-	30,145
<u>302,889</u>	<u>830,131</u>	<u>-</u>	<u>2,856,770</u>
-	10,005,941	-	25,372,931
<u>302,889</u>	<u>10,836,072</u>	<u>-</u>	<u>28,229,701</u>
-	2,200	-	2,200
11,272	60,963	-	179,353
-	10,594	-	10,594
-	12,756	-	70,837
-	-	-	657,308
-	-	-	8,375
-	172,364	-	172,364
-	-	-	360,000
<u>11,272</u>	<u>258,877</u>	<u>-</u>	<u>1,461,031</u>
-	-	-	397,540
-	1,165,735	-	1,165,735
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,141,738</u>
<u>11,272</u>	<u>1,424,612</u>	<u>-</u>	<u>6,166,044</u>
-	8,667,842	-	20,533,094
<u>291,617</u>	<u>743,618</u>	<u>-</u>	<u>1,530,563</u>
<u>\$ 291,617</u>	<u>\$ 9,411,460</u>	<u>\$ -</u>	<u>\$ 22,063,657</u>



**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets - Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2008**

	<u>Binder Park Golf Course</u>	<u>Automobile Parking System</u>	<u>FAA</u>	<u>Battle Creek Transit System</u>
<b>Operating revenues</b>				
Charges for services	\$ 1,178,433	\$ 656,249	\$ 419,410	\$ 365,717
Other	<u>7,882</u>	<u>-</u>	<u>-</u>	<u>15,405</u>
Total operating revenues	<u>1,186,315</u>	<u>656,249</u>	<u>419,410</u>	<u>381,122</u>
<b>Operating expenses</b>				
Personal services	223,500	-	6,439	2,452,323
Materials and supplies	404,521	-	772	467,183
Contractual and other	398,269	797,350	129,139	618,177
Depreciation	<u>95,135</u>	<u>350,021</u>	<u>149,241</u>	<u>462,052</u>
Total operating expenses	<u>1,121,425</u>	<u>1,147,371</u>	<u>285,591</u>	<u>3,999,735</u>
Operating income (loss)	<u>64,890</u>	<u>(491,122)</u>	<u>133,819</u>	<u>(3,618,613)</u>
<b>Non-operating revenues (expenses)</b>				
Intergovernmental subsidies	-	-	-	3,205,086
Interest income	6,601	26,435	49	-
Interest expense	<u>(115,040)</u>	<u>-</u>	<u>(50,351)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(108,439)</u>	<u>26,435</u>	<u>(50,302)</u>	<u>3,205,086</u>
Income (loss) before contributions and transfers	<u>(43,549)</u>	<u>(464,687)</u>	<u>83,517</u>	<u>(413,527)</u>
<b>Capital contributions</b>	-	-	-	-
<b>Transfers in</b>	66,666	62,856	256,015	875,109
<b>Transfers out</b>	<u>-</u>	<u>(1,030)</u>	<u>(256,841)</u>	<u>(4,641)</u>
Change in net assets	23,117	(402,861)	82,691	456,941
Net assets (deficit), beginning of year	<u>(23,408)</u>	<u>7,472,075</u>	<u>1,010,144</u>	<u>3,741,881</u>
<b>Net assets (deficit), end of year</b>	<u>\$ (291)</u>	<u>\$ 7,069,214</u>	<u>\$ 1,092,835</u>	<u>\$ 4,198,822</u>

<b>Solid Waste Collection</b>	<b>W.K. Kellogg Airport</b>	<b>Fiber Conduit</b>	<b>Total</b>
\$ 2,515,370	\$ 742,476	\$ -	\$ 5,877,655
39,237	3,946	-	66,470
2,554,607	746,422	-	5,944,125
237,633	789,435	-	3,709,330
32,834	140,787	-	1,046,097
2,322,176	436,227	-	4,701,338
-	647,538	-	1,703,987
2,592,643	2,013,987	-	11,160,752
(38,036)	(1,267,565)	-	(5,216,627)
-	549,643	-	3,754,729
14,532	103,991	-	151,608
-	(51,256)	-	(216,647)
14,532	602,378	-	3,689,690
(23,504)	(665,187)	-	(1,526,937)
-	544,337	-	544,337
-	-	-	1,260,646
(13,120)	(5,993)	(32,818)	(314,443)
(36,624)	(126,843)	(32,818)	(36,397)
328,241	9,538,303	32,818	22,100,054
<u>\$ 291,617</u>	<u>\$ 9,411,460</u>	<u>\$ -</u>	<u>\$ 22,063,657</u>

# CITY OF BATTLE CREEK, MICHIGAN

## Combining Statement of Cash Flows

### Nonmajor Enterprise Funds

For the Year Ended June 30, 2008

	Binder Park Golf Course	Automobile Parking System	FAA	Battle Creek Transit System
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 1,164,080	\$ 656,249	\$ 419,410	\$ 381,122
Payments to suppliers and contractors	(664,205)	(797,350)	(128,371)	(979,106)
Payments to employees	(219,371)	-	(6,439)	(2,444,405)
Payments for interfund services	(91,119)	-	-	(289,839)
Net cash provided by (used in) operating activities	<u>189,385</u>	<u>(141,101)</u>	<u>284,600</u>	<u>(3,332,228)</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers in	66,666	62,856	256,015	875,109
Transfers out	-	(1,030)	(256,841)	(4,641)
Intergovernmental subsidies	-	-	-	3,336,116
Net cash provided by (used in) non-capital financing activities	<u>66,666</u>	<u>61,826</u>	<u>(826)</u>	<u>4,206,584</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from interfund borrowing	-	-	-	-
Principal and interest paid on long-term debt	(262,578)	-	(257,555)	-
Purchase of capital assets	-	-	-	(874,356)
Net cash used in capital and related financing activities	<u>(262,578)</u>	<u>-</u>	<u>(257,555)</u>	<u>(874,356)</u>
<b>Cash flows from investing activities</b>				
Interest received on investments	<u>6,527</u>	<u>27,526</u>	<u>54</u>	<u>-</u>
Net increase (decrease) in pooled cash and investments	-	(51,749)	26,273	-
Pooled cash and investments, beginning of year	<u>-</u>	<u>429,744</u>	<u>386,337</u>	<u>-</u>
<b>Pooled cash and investments, end of year</b>	<u>\$ -</u>	<u>\$ 377,995</u>	<u>\$ 412,610</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ 64,890	\$ (491,122)	\$ 133,819	\$ (3,618,613)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	95,135	350,021	149,241	462,052
Amortization of bond issuance costs	-	-	1,540	-
Changes in assets and liabilities:				
Accounts receivable	(8,839)	-	-	-
Inventories and other assets	(16,100)	-	-	13,704
Accounts payable	-	-	-	(106,001)
Accrued payroll and compensated absences	4,129	-	-	7,918
Retentions, deposits and other liabilities	-	-	-	-
Interfund payable	63,566	-	-	(91,288)
Unearned revenue	(13,396)	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 189,385</u>	<u>\$ (141,101)</u>	<u>\$ 284,600</u>	<u>\$ (3,332,228)</u>

<u>Solid Waste Collection</u>	<u>W.K. Kellogg Airport</u>	<u>Fiber Conduit</u>	<u>Total</u>
\$ 2,569,199	\$ 746,422	\$ -	\$ 5,936,482
(2,331,803)	(450,946)	-	(5,351,781)
(237,447)	(782,321)	-	(3,689,983)
(23,207)	(155,389)	-	(559,554)
<u>(23,258)</u>	<u>(642,234)</u>	<u>-</u>	<u>(3,664,836)</u>
-	-	-	1,260,646
(13,120)	(5,993)	(32,818)	(314,443)
-	549,643	-	3,885,759
<u>(13,120)</u>	<u>543,650</u>	<u>(32,818)</u>	<u>4,831,962</u>
-	-	32,818	32,818
-	300,916	-	(219,217)
-	(560,270)	-	(1,434,626)
<u>-</u>	<u>(259,354)</u>	<u>32,818</u>	<u>(1,621,025)</u>
15,803	105,587	-	155,497
(20,575)	(252,351)	-	(298,402)
<u>126,354</u>	<u>1,069,377</u>	<u>-</u>	<u>2,011,812</u>
<u>\$ 105,779</u>	<u>\$ 817,026</u>	<u>\$ -</u>	<u>\$ 1,713,410</u>
\$ (38,036)	\$ (1,267,565)	\$ -	\$ (5,216,627)
-	647,538	-	1,703,987
-	-	-	1,540
14,592	-	-	5,753
-	-	-	(2,396)
-	-	-	(106,001)
186	7,114	-	19,347
-	(29,321)	-	(29,321)
-	-	-	(27,722)
-	-	-	(13,396)
<u>\$ (23,258)</u>	<u>\$ (642,234)</u>	<u>\$ -</u>	<u>\$ (3,664,836)</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2008**

	<u>Equipment Center</u>	<u>Self- Insurance</u>	<u>Information Services</u>	<u>Reproduction</u>	<u>Total</u>
<b>Assets</b>					
Current assets:					
Pooled cash and investments	\$ -	\$ 12,365,160	\$ 1,583,693	\$ 325,440	\$ 14,274,293
Interest receivable	-	86,193	-	-	86,193
Accounts receivable	383,723	3,217	-	-	386,940
Inventories	314,371	-	-	-	314,371
Prepaid items	4,457	246,310	2,772	-	253,539
Interfund receivable	-	398,791	-	-	398,791
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	702,551	13,099,671	1,586,465	325,440	15,714,127
Noncurrent assets:					
Capital assets, net	2,483,019	-	122,008	18,000	2,623,027
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	3,185,570	13,099,671	1,708,473	343,440	18,337,154
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	-	-	130,500	-	130,500
Accrued payroll and compensated absences	79,530	11,864	39,137	4,594	135,125
Accrued interest payable	-	-	76	-	76
Claims payable	-	4,852,919	-	-	4,852,919
Interfund payable	398,791	-	-	-	398,791
Lease payable, current portion	-	-	8,272	-	8,272
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	478,321	4,864,783	177,985	4,594	5,525,683
Noncurrent liabilities:					
Lease payable	-	-	17,370	-	17,370
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	478,321	4,864,783	195,355	4,594	5,543,053
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net assets</b>					
Invested in capital assets, net of related debt	2,483,019	-	96,366	18,000	2,597,385
Unrestricted	224,230	8,234,888	1,416,752	320,846	10,196,716
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	\$ 2,707,249	\$ 8,234,888	\$ 1,513,118	\$ 338,846	\$ 12,794,101
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2008**

	<b>Equipment Center</b>	<b>Self- Insurance</b>	<b>Information Services</b>	<b>Reproduction</b>	<b>Total</b>
<b>Operating revenues</b>					
Charges for services	\$ 4,940,572	\$ 12,677,760	\$ 1,298,235	\$ 311,454	\$ 19,228,021
Other	111,871	527	972	8	113,378
Total operating revenues	5,052,443	12,678,287	1,299,207	311,462	19,341,399
<b>Operating expenses</b>					
Personal services	1,277,716	328,632	872,300	210,123	2,688,771
Materials and supplies	1,890,828	4,375	102,024	112,052	2,109,279
Contractual and other	992,936	11,454,133	808,536	86,255	13,341,860
Depreciation	664,286	-	121,512	2,000	787,798
Total operating expenses	4,825,766	11,787,140	1,904,372	410,430	18,927,708
Operating income (loss)	226,677	891,147	(605,165)	(98,968)	413,691
<b>Nonoperating revenues (expenses)</b>					
Interest income	-	659,283	-	-	659,283
Interest expense	-	-	(2,096)	-	(2,096)
Total nonoperating revenues (expenses)	-	659,283	(2,096)	-	657,187
Income (loss) before transfers	226,677	1,550,430	(607,261)	(98,968)	1,070,878
<b>Transfers in</b>	-	-	451,815	90,967	542,782
<b>Transfers out</b>	(782,610)	(2,193)	-	(459)	(785,262)
Change in net assets	(555,933)	1,548,237	(155,446)	(8,460)	828,398
Net assets, beginning of year	3,263,182	6,686,651	1,668,564	347,306	11,965,703
<b>Net assets, end of year</b>	<u>\$ 2,707,249</u>	<u>\$ 8,234,888</u>	<u>\$ 1,513,118</u>	<u>\$ 338,846</u>	<u>\$ 12,794,101</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2008**

	<b>Equipment Center</b>	<b>Self- Insurance</b>	<b>Information Services</b>	<b>Reproduction</b>	<b>Total</b>
<b>Cash flows from operating activities</b>					
Receipts from interfund services	\$ 5,052,443	\$ 12,678,287	\$ 1,299,207	\$ 311,462	\$ 19,341,399
Payments to suppliers/claimants	(2,889,234)	(10,988,104)	(778,807)	(198,307)	(14,854,452)
Payments to employees	(1,263,366)	(330,405)	(873,081)	(230,460)	(2,697,312)
Net cash provided by (used in) operating activities	899,843	1,359,778	(352,681)	(117,305)	1,789,635
<b>Cash flows from non-capital financing activities</b>					
Transfers in	-	-	451,815	90,967	542,782
Transfers out	(782,610)	(2,193)	-	(459)	(785,262)
Net cash provided by (used in) non-capital financing activities	(782,610)	(2,193)	451,815	90,508	(242,480)
<b>Cash flows from capital and related financing activities</b>					
Principal and interest paid on capital lease	-	-	(9,827)	-	(9,827)
Purchase of capital assets	(833,341)	-	-	(20,000)	(853,341)
Net cash used in capital and related financing activities	(833,341)	-	(9,827)	(20,000)	(863,168)
<b>Cash flows from investing activities</b>					
Interest received on investments	-	672,648	-	-	672,648
Net increase (decrease) in pooled cash and investments	(716,108)	2,030,233	89,307	(46,797)	1,356,635
Pooled cash and investments, beginning of year	716,108	10,334,927	1,494,386	372,237	12,917,658
<b>Pooled cash and investments, end of year</b>	<u>\$ -</u>	<u>\$ 12,365,160</u>	<u>\$ 1,583,693</u>	<u>\$ 325,440</u>	<u>\$ 14,274,293</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ 226,677	\$ 891,147	\$ (605,165)	\$ (98,968)	\$ 413,691
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	664,286	-	121,512	2,000	787,798
Changes in assets and liabilities:					
Accounts receivable	(382,860)	(3,217)	-	-	(386,077)
Inventories	(16,944)	-	-	-	(16,944)
Prepaid items	(4,457)	63,868	1,253	-	60,664
Interfund receivable	-	(398,791)	-	-	(398,791)
Accounts payable	-	-	130,500	-	130,500
Accrued payroll/compensated absences	14,350	(1,773)	(781)	(20,337)	(8,541)
Claims payable	-	808,544	-	-	808,544
Interfund payable	398,791	-	-	-	398,791
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 899,843</u>	<u>\$ 1,359,778</u>	<u>\$ (352,681)</u>	<u>\$ (117,305)</u>	<u>\$ 1,789,635</u>
<b>Noncash Items:</b>					
Capital leases	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Fiduciary Net Assets**  
**Pension and Other Employee Benefit Trust Funds**  
**June 30, 2008**

	<b>Police and Fire Retirement System</b>		<b>Voluntary Employees Beneficiary Association</b>	<b>Fire Retiree Health Care</b>	<b>Total</b>
	<b>Pension</b>	<b>Health</b>			
<b>Assets</b>					
Cash and cash equivalents	\$ 2,535,610	\$ 500,000	\$ 460,797	\$ 436,400	\$ 3,932,807
Investments:					
U.S. treasuries	4,799,757	-	-	-	4,799,757
U.S. agencies	13,148,334	-	-	-	13,148,334
Domestic corporate securities	22,591,629	-	-	-	22,591,629
Domestic equities	45,263,663	-	-	-	45,263,663
American depository receipts	12,320,437	-	-	-	12,320,437
International equities	5,416,835	-	-	-	5,416,835
Real estate trusts	101,520	-	-	-	101,520
Interest receivable	539,129	-	3,486	3,313	545,928
Pension contributions receivable	1,888,682	-	-	-	1,888,682
Total assets	108,605,596	500,000	464,283	439,713	110,009,592
<b>Liabilities</b>					
Accounts payable	-	500,000	-	-	500,000
<b>Net assets</b>					
Held in trust for pension and postemployment healthcare benefits	<u>\$ 108,605,596</u>	<u>\$ -</u>	<u>\$ 464,283</u>	<u>\$ 439,713</u>	<u>\$ 109,509,592</u>



**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension and Other Employee Benefit Trust Funds**  
**For the Year Ended June 30, 2008**

	<b>Police and Fire Retirement System</b>		<b>Voluntary Employees Beneficiary Association</b>	<b>Fire Retiree Health Care</b>	<b>Total</b>
	<b>Pension</b>	<b>Health</b>			
<b>Additions</b>					
Investment income:					
Net depreciation in fair value of investments	\$ (5,047,646)	\$ -	\$ -	\$ -	\$ (5,047,646)
Interest and dividends	4,729,601	-	20,557	15,729	4,765,887
Less investment expenses	(1,562,917)	-	-	-	(1,562,917)
Net investment income (loss)	(1,880,962)	-	20,557	15,729	(1,844,676)
Contributions:					
Employer	3,117,333	500,000	227,659	250,000	4,094,992
Employees	1,022,201	-	160,930	153,234	1,336,365
Total contributions	4,139,534	500,000	388,589	403,234	5,431,357
Total additions	2,258,572	500,000	409,146	418,963	3,586,681
<b>Deductions</b>					
Pension benefit payments	6,052,012	-	-	-	6,052,012
Contribution refunds	114,970	-	-	-	114,970
Medical insurance premiums	-	500,000	-	-	500,000
Administrative expenses	10,389	-	-	-	10,389
Total deductions	6,177,371	500,000	-	-	6,677,371
Net additions (deductions) to net assets held in trust for benefits	(3,918,799)	-	409,146	418,963	(3,090,690)
Lookback adjustment between plans	109,203	(109,203)	-	-	-
Net assets held in trust for benefits:					
Beginning of year	112,415,192	109,203	55,137	20,750	112,600,282
<b>End of year</b>	<b>\$ 108,605,596</b>	<b>\$ -</b>	<b>\$ 464,283</b>	<b>\$ 439,713</b>	<b>\$ 109,509,592</b>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2008**

	<u>Fire Insurance Escrow</u>	<u>Delinquent Personal Property Taxes</u>	<u>Summer Property Tax Collection</u>	<u>Winter Property Tax Collection</u>	<u>Total</u>
<b>Assets</b>					
Pooled cash and investments	\$ 30,748	\$ 282,423	\$ -	\$ -	\$ 313,171
Delinquent taxes receivable	-	2,513,805	-	-	2,513,805
Total assets	<u>\$ 30,748</u>	<u>\$ 2,796,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,826,976</u>
<b>Liabilities</b>					
Deposits and retentions payable	<u>\$ 30,748</u>	<u>\$ 2,796,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,826,976</u>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2008**

	<b>Balance June 30, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2008.</b>
<b><u>FIRE INSURANCE ESCROW</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ 28,516	\$ 2,232	\$ -	\$ 30,748
<b>Liabilities</b>				
Deposits and retentions payable	\$ 28,516	\$ 2,232	\$ -	\$ 30,748
<b><u>DELINQUENT PERSONAL PROPERTY TAXES</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ 34,268	\$ 248,155	\$ -	\$ 282,423
Delinquent taxes receivable	2,401,118	877,665	764,978	2,513,805
	<u>\$ 2,435,386</u>	<u>\$ 1,125,820</u>	<u>\$ 764,978</u>	<u>\$ 2,796,228</u>
<b>Liabilities</b>				
Deposits and retentions payable	\$ 2,435,386	\$ 1,125,820	\$ 764,978	\$ 2,796,228
<b><u>SUMMER PROPERTY TAX COLLECTION</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ -	\$ 65,424,885	\$ 65,424,885	\$ -
<b>Liabilities</b>				
Deposits and retentions payable	\$ -	\$ 65,424,885	\$ 65,424,885	\$ -

Continued...

**CITY OF BATTLE CREEK, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds (Concluded)**  
**For the Year Ended June 30, 2008**

	<b>Balance June 30, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2008.</b>
<b><u>WINTER PROPERTY TAX COLLECTION</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ -	\$ 22,620,556	\$ 22,620,556	\$ -
<b>Liabilities</b>				
Deposits and retentions payable	\$ -	\$ 22,620,556	\$ 22,620,556	\$ -
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>Assets</b>				
Pooled cash and investments	\$ 62,784	\$ 88,295,828	\$ 88,045,441	\$ 313,171
Delinquent taxes receivable	2,401,118	877,665	764,978	2,513,805
Total assets	\$ 2,463,902	\$ 89,173,493	\$ 88,810,419	\$ 2,826,976
<b>Liabilities</b>				
Deposits and retentions payable	\$ 2,463,902	\$ 89,173,493	\$ 88,810,419	\$ 2,826,976

# STATISTICAL SECTION

## STATISTICAL SECTION

This part of the City of Battle Creek's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health

<b>Contents</b>	<b>Page</b>
Financial Trends (schedules 1 thru 5)	103
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity (schedules 6 thru 28)	111
<i>These schedules contain information to help the reader assess the government's most significant local revenue sources: property taxes and water and wastewater usage fees.</i>	
Debt Capacity (schedules 29 thru 32)	134
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information (schedules 33 and 34)	138
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information (schedules 35 thru 38)	140
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF BATTLE CREEK**  
**Net Assets by Component**  
**Last Six Years**  
*(accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 204,894,306	\$ 205,676,324	\$ 205,272,983	\$ 209,058,967	\$ 208,138,951	\$ 209,225,026
Restricted	16,593,282	11,246,239	6,909,177	5,837,903	7,861,430	4,929,264
Unrestricted	37,053,427	36,237,269	39,004,878	38,237,634	33,944,289	33,063,496
Total governmental activities net assets	<u>\$ 258,541,015</u>	<u>\$ 253,159,832</u>	<u>\$ 251,187,038</u>	<u>\$ 253,134,504</u>	<u>\$ 249,944,670</u>	<u>\$ 247,217,786</u>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 95,239,058	\$ 98,756,920	\$ 101,991,510	\$ 98,873,436	\$ 97,919,583	\$ 96,505,088
Unrestricted	32,629,898	24,014,234	20,923,570	20,617,951	21,418,649	19,641,409
Total business-type activities net assets	<u>\$ 127,868,956</u>	<u>\$ 122,771,154</u>	<u>\$ 122,915,080</u>	<u>\$ 119,491,387</u>	<u>\$ 119,338,232</u>	<u>\$ 116,146,497</u>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 300,133,364	\$ 304,433,244	\$ 307,264,493	\$ 307,932,403	\$ 306,058,534	\$ 305,730,114
Restricted	16,593,282	11,246,239	6,909,177	5,837,903	7,861,430	4,929,264
Unrestricted	69,683,325	60,251,503	59,928,448	58,855,585	55,362,938	52,704,905
Total primary government net assets	<u>\$ 386,409,971</u>	<u>\$ 375,930,986</u>	<u>\$ 374,102,118</u>	<u>\$ 372,625,891</u>	<u>\$ 369,282,902</u>	<u>\$ 363,364,283</u>

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Changes in Net Assets**  
**Last Five Years**  
*(accrual basis of accounting)*

	2003	2004	2005	2006	2007	2008
<b>Expenses</b>						
Governmental activities:						
General government	\$ 7,775,052	\$ 8,285,242	\$ 8,251,417	\$ 10,138,832	\$ 12,354,963	\$ 13,176,854
Public safety	24,497,814	25,996,442	24,912,304	23,052,841	25,211,331	27,337,709
Public works	2,612,061	2,263,112	2,425,660	1,721,053	1,862,529	1,896,351
Highways and streets	9,916,209	10,799,830	10,253,704	10,648,811	10,947,131	12,521,742
Parks and recreation	7,212,347	6,879,916	10,103,614	7,528,251	6,098,967	5,994,590
Community development	2,199,310	2,834,085	2,871,471	2,602,331	3,033,185	2,629,423
Unallocated	1,975,812	-	-	-	-	-
Interest on long-term debt	1,171,284	1,130,642	1,099,030	1,079,398	1,103,096	885,050
Total governmental activities expenses	57,359,889	58,189,269	59,917,200	56,771,517	60,611,202	64,441,719
Business-type activities:						
Wastewater	13,587,398	14,090,224	14,103,654	14,598,187	14,492,263	15,371,605
Water	7,112,747	7,196,409	7,225,258	6,897,186	7,222,797	7,439,990
Public transit	4,046,023	4,064,196	3,887,041	3,724,879	3,762,533	3,985,668
Solid waste collection	2,068,331	2,103,397	2,184,244	2,292,562	2,437,238	2,591,517
Airport	1,653,490	1,666,592	1,841,153	1,991,606	2,094,172	2,393,643
Golf course	1,159,880	1,271,468	1,170,632	1,199,704	1,184,758	1,232,043
Parking	1,012,724	1,337,896	1,309,483	1,021,337	1,151,969	1,147,371
Economic development	118,006	260,693	218,028	764,690	180,870	930,268
Total business-type activities expenses	30,758,599	31,990,875	31,939,493	32,490,151	32,526,600	35,092,105
Total primary government expenses	88,118,488	90,180,144	91,856,693	89,261,668	93,137,802	99,533,824
<b>Program revenues</b>						
Governmental activities:						
Charges for services:						
General government	2,056,731	2,566,013	2,697,742	2,596,709	2,535,769	2,907,276
Public safety	2,310,934	2,245,589	1,842,771	1,927,079	1,926,202	1,835,157
Public works	223,024	248,740	344,638	152,295	111,494	671,611
Highways and streets	-	-	103	463	1,903	5,240
Parks and recreation	3,046,573	3,124,366	3,277,043	3,428,780	3,159,269	2,320,582
Community development	-	119,830	147,600	80,821	130,502	45,239
Unallocated	471,617	-	-	-	-	-
Operating grants and contributions	11,327,666	10,156,505	10,625,956	12,363,163	11,362,032	12,442,524
Capital grants and contributions	732,056	1,007,638	3,271,450	2,371,353	1,427,358	1,651,247
Total governmental activities program revenues	20,168,601	19,468,681	22,207,303	22,920,663	20,654,529	21,878,876
Business-type activities:						
Charges for services:						
Wastewater	10,198,910	9,975,535	10,265,249	9,726,868	10,992,780	11,617,431
Water	7,193,526	7,090,160	7,460,662	7,337,571	7,789,671	7,783,011
Public transit	384,833	391,899	392,458	398,011	356,902	381,122
Solid waste collection	2,139,311	2,171,931	2,249,615	2,250,880	2,516,122	2,554,607
Airport	1,006,380	1,096,801	1,070,586	1,083,875	1,124,816	1,165,832
Golf course	874,964	1,216,352	1,161,808	1,187,918	1,208,185	1,186,315
Parking	693,830	689,162	674,694	659,630	681,515	656,249
Economic development	336,865	163,715	332,903	330,893	497,066	845,671
Operating grants and contributions	2,604,918	2,837,617	2,567,262	2,408,957	4,756,705	3,891,109
Capital grants and contributions	959,388	1,333,423	4,909,860	2,696,895	794,260	544,337
Total business-type activities program revenues	26,392,925	26,966,595	31,085,097	28,081,498	30,718,022	30,625,684
Total primary government program revenues	46,561,526	46,435,276	53,292,400	51,002,161	51,372,551	52,504,560
<b>Net (Expense)/Revenue</b>						
Government activities	(37,191,288)	(38,720,588)	(37,709,897)	(33,850,854)	(39,956,673)	(42,562,843)
Business-type activities	(4,365,674)	(5,024,280)	(854,396)	(4,408,653)	(1,808,578)	(4,466,421)
Total primary government net expense	(41,556,962)	(43,744,868)	(38,564,293)	(38,259,507)	(41,765,251)	(47,029,264)

Continued...



**CITY OF BATTLE CREEK**  
**Changes in Net Assets (Concluded)**  
**Last Five Fiscal Years**  
*(accrual basis of accounting)*

	2003	2004	2005	2006	2007	2008
<b>General Revenues</b>						
Governmental activities:						
General revenues:						
Property taxes	\$ 12,375,964	\$ 12,764,779	\$ 13,579,207	\$ 14,580,358	\$ 15,322,115	\$ 16,485,528
Income taxes	11,664,194	12,679,119	13,942,683	14,450,183	14,226,870	15,505,430
Grants and contributions not restricted to specific programs	7,077,172	6,358,441	6,291,976	6,221,293	6,038,495	6,090,487
Unrestricted investment earnings	2,717,405	1,894,373	1,716,088	1,241,966	2,166,102	2,448,172
Transfers - internal activities	959,885	(357,307)	(619,138)	(695,480)	(986,742)	(693,655)
Total governmental activities	<u>34,794,620</u>	<u>33,339,405</u>	<u>34,910,816</u>	<u>35,798,320</u>	<u>36,766,840</u>	<u>39,835,962</u>
Business-type activities:						
Unrestricted investment earnings	1,844,066	(430,829)	379,185	289,480	668,682	581,031
Gain on sale of capital assets	554	-	-	-	-	-
Transfers - internal activities	(959,885)	357,307	619,138	695,480	986,742	693,655
Total business-type activities	<u>884,735</u>	<u>(73,522)</u>	<u>998,323</u>	<u>984,960</u>	<u>1,655,424</u>	<u>1,274,686</u>
Total primary government	<u>35,679,355</u>	<u>33,265,883</u>	<u>35,909,139</u>	<u>36,783,280</u>	<u>38,422,264</u>	<u>41,110,648</u>
<b>Change in Net Assets</b>						
Government activities	(2,396,668)	(5,381,183)	(2,799,081)	1,947,466	(3,189,833)	(2,726,881)
Business-type activities	(3,480,939)	(5,097,802)	143,927	(3,423,693)	(153,154)	(3,191,735)
Total primary government	<u>\$ (5,877,607)</u>	<u>\$ (10,478,985)</u>	<u>\$ (2,655,154)</u>	<u>\$ (1,476,227)</u>	<u>\$ (3,342,987)</u>	<u>\$ (5,918,616)</u>

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Fund Balances - Governmental Funds**  
**Last Five Years**  
*(modified accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General Fund</b>						
Reserved	\$ 783,191	\$ 341,345	\$ 142,656	\$ 195,796	\$ 580,445	\$ 297,534
Unreserved	<u>11,744,939</u>	<u>11,187,954</u>	<u>11,050,908</u>	<u>9,574,180</u>	<u>7,500,072</u>	<u>7,875,800</u>
Total general fund	<u>\$ 12,528,130</u>	<u>\$ 11,529,299</u>	<u>\$ 11,193,564</u>	<u>\$ 9,769,976</u>	<u>\$ 8,080,517</u>	<u>\$ 8,173,334</u>
<b>All Other Governmental Funds</b>						
Reserved	\$ 2,421,271	\$ 2,185,167	\$ 2,304,993	\$ 2,232,709	\$ 2,411,576	\$ 2,380,677
Unreserved, reported in:						
Special revenue funds	5,269,042	4,485,357	3,126,389	2,714,722	2,074,998	1,153,026
Debt service funds	1,007,233	1,041,626	1,052,207	1,052,660	1,099,349	62,483
Capital projects funds	5,912,620	3,819,722	2,896,070	5,010,124	5,362,221	4,000,751
Permanent funds	<u>3,212,654</u>	<u>2,731,820</u>	<u>1,560,154</u>	<u>1,370,131</u>	<u>1,381,477</u>	<u>1,055,843</u>
Total all other governmental funds	<u>\$ 17,822,820</u>	<u>\$ 14,263,692</u>	<u>\$ 10,939,813</u>	<u>\$ 12,380,346</u>	<u>\$ 12,329,621</u>	<u>\$ 8,652,780</u>

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Changes in Fund Balances - Governmental Funds (1)**  
**Last Ten Years**  
*(modified accrual basis of accounting)*

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<b>Revenues</b>					
Income taxes	\$ 13,106,057	\$ 13,175,710	\$ 12,816,147	\$ 11,268,853	\$ 11,664,194
Property taxes	11,339,692	11,580,675	12,062,629	12,124,480	12,458,369
Licenses and permits	1,149,311	1,102,395	1,159,829	1,139,760	1,106,290
Intergovernmental	15,036,558	14,881,845	15,994,041	16,936,207	17,264,191
Charges for services	3,199,131	3,406,102	3,399,540	4,998,638	5,078,612
Fines and forfeitures	331,828	291,643	314,206	271,352	269,554
Investment income	2,490,931	2,814,628	2,321,779	2,186,307	2,569,257
Other	4,160,814	2,992,563	3,540,096	3,817,817	3,798,753
Total revenues	<u>50,814,322</u>	<u>50,245,561</u>	<u>51,608,267</u>	<u>52,743,414</u>	<u>54,209,220</u>
<b>Expenditures</b>					
General government	7,284,862	8,076,320	6,943,680	8,547,701	7,711,674
Public safety	20,815,711	21,389,862	21,080,470	22,028,962	24,293,085
Public works	2,162,846	2,185,530	2,003,783	2,084,977	2,113,230
Highway and streets	4,153,923	3,631,821	4,308,684	8,098,240	8,888,758
Parks and recreation	5,113,834	5,547,823	4,552,923	5,732,642	6,212,707
Community development	2,400,630	1,671,874	2,541,710	2,384,841	2,440,178
Unallocated	1,050,544	1,287,802	1,791,237	2,107,582	2,084,948
Capital outlay	729,289	847,075	125,943	3,349,551	8,673,391
Debt service:					
Principal retirement	1,911,454	1,428,000	1,196,000	1,040,000	1,205,000
Interest	1,145,775	922,237	782,931	759,139	1,187,343
Bond issuance costs	-	-	-	202,494	-
Total expenditures	<u>46,768,868</u>	<u>46,988,344</u>	<u>45,327,361</u>	<u>56,336,129</u>	<u>64,810,314</u>
Revenues over (under) expenditures	<u>4,045,454</u>	<u>3,257,217</u>	<u>6,280,906</u>	<u>(3,592,715)</u>	<u>(10,601,094)</u>
<b>Other financing sources (uses)</b>					
Issuance of debt	995,000	-	-	10,000,000	3,070,000
Premium (discount) on bonds	-	-	-	-	50,034
Payment to refunding bond escrow agent	-	-	-	-	-
Proceeds from sales of capital assets	353,878	289,098	350,429	646,279	486,720
Transfers in	5,369,029	3,978,870	3,353,227	5,020,295	8,053,795
Transfers out	(7,704,901)	(6,682,847)	(6,799,314)	(5,738,654)	(6,774,861)
Total other financing sources (uses)	<u>(986,994)</u>	<u>(2,414,879)</u>	<u>(3,095,658)</u>	<u>9,927,920</u>	<u>4,885,688</u>
<b>Net changes in fund balances</b>	<u>\$ 3,058,460</u>	<u>\$ 842,338</u>	<u>\$ 3,185,248</u>	<u>\$ 6,335,205</u>	<u>\$ (5,715,406)</u>
Debt services as a percentage of noncapital expenditures	<u>6.5%</u>	<u>5.0%</u>	<u>4.3%</u>	<u>4.3%</u>	<u>4.6%</u>

(1) Includes general, special revenue and debt service funds through June 30, 2001; all governmental funds thereafter.

**Schedule 4**  
**UNAUDITED**

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 12,679,119	\$ 13,942,683	\$ 14,586,873	\$ 14,226,870	\$ 16,485,528
12,790,559	13,591,892	14,450,183	15,322,115	15,505,430
1,020,676	1,166,882	1,084,527	1,075,341	1,026,490
16,029,559	16,267,323	17,709,598	16,665,977	16,942,219
5,057,747	4,659,697	4,842,463	4,674,591	3,975,149
227,640	213,890	250,683	210,795	249,809
1,842,748	1,659,348	1,177,345	1,933,354	1,942,756
3,649,270	5,672,269	4,100,007	4,642,201	4,266,257
<u>53,297,318</u>	<u>57,173,984</u>	<u>58,201,679</u>	<u>58,751,244</u>	<u>60,393,638</u>
7,023,203	7,123,031	8,841,806	10,325,281	11,975,613
25,598,627	25,239,131	25,551,655	25,106,311	26,766,867
1,956,879	2,068,952	1,480,494	1,606,562	1,600,366
10,409,523	9,768,176	10,760,834	9,837,482	11,599,488
5,862,541	9,277,231	7,503,210	5,757,306	5,192,125
2,133,178	2,080,063	1,781,415	2,093,161	1,829,799
2,069,015	2,286,466	2,331,588	3,123,061	2,504,094
595,425	92,816	1,199,315	2,807,886	168,949
1,535,000	1,575,000	1,630,000	2,889,000	2,110,890
1,161,539	1,121,701	1,091,107	1,127,753	928,236
-	-	-	-	215,915
<u>58,344,930</u>	<u>60,632,567</u>	<u>62,171,424</u>	<u>64,673,803</u>	<u>64,892,342</u>
<u>(5,047,612)</u>	<u>(3,458,583)</u>	<u>(3,969,745)</u>	<u>(5,922,559)</u>	<u>(4,498,704)</u>
-	-	3,819,000	3,708,005	8,975,420
-	-	-	-	(39,814)
-	-	-	-	(8,556,980)
439,309	596,284	631,254	697,708	987,229
6,252,501	10,968,311	8,896,090	8,535,425	9,521,452
<u>(6,202,157)</u>	<u>(11,291,913)</u>	<u>(9,359,654)</u>	<u>(8,758,763)</u>	<u>(9,972,627)</u>
<u>489,653</u>	<u>272,682</u>	<u>3,986,690</u>	<u>4,182,375</u>	<u>914,680</u>
<u>\$ (4,557,959)</u>	<u>\$ (3,185,901)</u>	<u>\$ 16,945</u>	<u>\$ (1,740,184)</u>	<u>\$ (3,584,024)</u>
<u>5.2%</u>	<u>4.9%</u>	<u>5.3%</u>	<u>7.0%</u>	<u>5.4%</u>

**CITY OF BATTLE CREEK**  
**Changes in Fund Balances - General Fund**  
**Last Ten Years**

*(modified accrual basis of accounting)*

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Revenues</b>					
Income taxes	\$ 13,106,057	\$ 13,175,710	\$ 12,816,147	\$ 11,268,853	\$ 11,664,194
Property taxes	11,194,524	11,477,762	11,669,181	12,123,163	12,375,964
Licenses and permits	1,149,311	1,102,395	1,159,829	1,139,760	1,106,290
Intergovernmental	7,487,847	7,666,588	8,105,478	8,921,503	8,244,720
Charges for services	3,199,131	3,406,102	3,399,540	3,171,193	3,192,006
Fines and forfeitures	331,828	291,643	314,206	271,352	269,554
Investment income	1,667,211	1,857,701	1,540,072	1,210,131	1,953,088
Loan collection and other	1,572,596	1,224,160	1,738,143	1,525,251	1,567,952
<b>Total revenues</b>	<b>39,708,505</b>	<b>40,202,061</b>	<b>40,742,596</b>	<b>39,631,206</b>	<b>40,373,768</b>
<b>Expenditures</b>					
General government	6,469,975	6,703,664	6,157,669	6,701,364	6,837,935
Public safety	20,815,711	21,389,862	21,080,470	21,529,192	22,707,325
Public works	2,162,846	2,185,530	2,003,783	2,084,977	2,113,230
Parks and recreation	4,830,242	4,719,790	4,372,559	4,089,332	4,383,243
Unallocated	1,050,544	1,287,802	1,791,237	2,043,309	1,986,340
Debt service:					
Principal retirement	189,912	275,000	180,000	-	-
Interest	62,387	72,100	11,995	-	-
<b>Total expenditures</b>	<b>35,581,617</b>	<b>36,633,748</b>	<b>35,597,713</b>	<b>36,448,174</b>	<b>38,028,073</b>
<b>Revenues over (under) expenditures</b>	<b>4,126,888</b>	<b>3,568,313</b>	<b>5,144,883</b>	<b>3,183,032</b>	<b>2,345,695</b>
<b>Other financing sources (uses)</b>					
Transfers in	1,458,843	1,386,289	1,097,463	-	108,553
Issuance of debt	995,000	-	-	-	-
Sale of land and other assets	353,878	321,068	350,429	646,279	486,720
Transfers out	(6,223,792)	(5,470,893)	(5,140,788)	(4,617,982)	(3,882,963)
<b>Total other financing sources (uses)</b>	<b>(3,416,071)</b>	<b>(3,763,536)</b>	<b>(3,692,896)</b>	<b>(3,971,703)</b>	<b>(3,287,690)</b>
<b>Net changes in fund balances</b>	<b>\$ 710,817</b>	<b>\$ (195,223)</b>	<b>\$ 1,451,987</b>	<b>\$ (788,671)</b>	<b>\$ (941,995)</b>

Source: City of Battle Creek Finance Department

**Schedule 5**  
**UNAUDITED**

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 12,679,119	\$ 13,942,683	\$ 14,450,183	\$ 14,226,870	\$ 16,485,528
12,764,779	13,579,207	14,580,358	15,322,115	15,505,430
1,020,676	1,166,882	1,084,527	1,075,341	1,026,490
7,572,346	7,701,623	7,804,482	7,814,021	7,932,595
3,212,899	2,522,682	2,518,560	2,436,074	2,377,713
227,640	213,890	250,683	210,795	249,809
1,646,768	1,474,106	1,047,649	1,408,071	1,455,000
1,965,889	1,849,970	1,700,687	1,607,005	2,083,831
<u>41,090,116</u>	<u>42,451,043</u>	<u>43,437,129</u>	<u>44,100,292</u>	<u>47,116,396</u>
6,713,395	6,655,187	6,835,195	7,100,784	7,818,545
24,658,069	23,855,387	24,207,356	24,691,224	26,187,733
1,956,879	2,068,952	1,480,494	1,606,562	1,600,366
4,057,445	4,349,374	4,155,768	4,013,727	3,847,291
1,976,171	2,022,281	2,082,499	2,871,545	2,140,538
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>39,361,959</u>	<u>38,951,181</u>	<u>38,761,312</u>	<u>40,283,842</u>	<u>41,594,473</u>
<u>1,728,157</u>	<u>3,499,862</u>	<u>4,675,817</u>	<u>3,816,450</u>	<u>5,521,923</u>
551,529	942,459	46,244	70,307	150,382
-	-	-	-	-
439,309	578,844	631,254	697,708	757,881
<u>(3,717,826)</u>	<u>(5,512,369)</u>	<u>(6,776,903)</u>	<u>(6,273,924)</u>	<u>(6,337,369)</u>
<u>(2,726,988)</u>	<u>(3,991,066)</u>	<u>(6,099,405)</u>	<u>(5,505,909)</u>	<u>(5,429,106)</u>
<u>\$ (998,831)</u>	<u>\$ (491,204)</u>	<u>\$ (1,423,588)</u>	<u>\$ (1,689,459)</u>	<u>\$ 92,817</u>

**CITY OF BATTLE CREEK**  
**Assessed and Actual Value of Taxable Property**  
**Last Ten Years**  
*(in thousands of dollars)*

Fiscal Year Ended June 30,	Tax Year	Valued as of December 31,	(1) Total Assessed Value (S.E.V.)	Taxable Value				Total	Total Direct Tax Rate
				Real Property	Personal Property	(2) Industrial Facilities	(2) Neighborhood Enterprise Zone		
2008	2007	2006	\$ 1,897,043,026	\$ 1,144,865,369	\$ 342,109,866	\$ 194,647,401	\$ 451,147	\$ 1,682,073,783	14.4760
2007	2006	2005	1,813,627,641	1,092,427,091	335,958,442	176,814,238	558,688	1,605,758,459	14.4760
2006	2005	2004	1,744,721,015	1,049,158,197	318,597,419	184,621,661	876,280	1,553,253,557	13.0000
2005	2004	2003	1,548,617,763	1,018,660,566	345,022,818	152,170,725	876,253	1,516,730,362	13.0000
2004	2003	2002	1,507,990,443	978,470,914	351,059,132	146,248,110	865,870	1,476,644,026	13.0000
2003	2002	2001	1,417,683,480	925,948,123	329,676,688	185,519,689	878,061	1,442,022,561	13.0000
2002	2001	2000	1,353,833,445	881,764,954	311,885,594	193,004,493	850,235	1,387,505,276	13.0000
2001	2000	1999	1,255,270,300	822,394,550	289,680,550	240,160,900	812,450	1,353,048,450	13.0000
2000	1999	1998	1,191,592,453	780,174,210	295,866,950	293,250,150	774,750	1,370,066,060	13.0000
1999	1998	1997	1,086,196,728	729,698,620	268,354,400	348,992,425	687,925	1,347,733,370	13.0310

**Notes:** Property in the City of Battle Creek is assessed every year representing approximately 50% of the actual value for all real and personal property. Taxable value is the figure used to calculate property taxes. The taxable value is limited to annual increases of 5% or the State of Michigan Consumer Price Index, whichever is less, except if a property is sold. The assessed value becomes the taxable value in the year following a sale. Property taxes are levied July 1 of the succeeding fiscal year based on taxable values as of December 31.

(1) Assessed value is ad valorem property only and does not include tax abated properties (see #2 below).

(2) Represents current values of tax abated properties.

SOURCE: City of Battle Creek Assessor's Office.

**CITY OF BATTLE CREEK**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Years**  
*(rate per \$1,000 of taxable value)*

Fiscal Year Ended June 30,	Levied July 1,	(1) City of Battle Creek			Battle Creek Public Schools	State Education Tax	Calhoun Intermediate School District	Kellogg Community College	District Library	County	Totals	
		Operating	Debt	Pension							Non- Homestead	(2) Homestead
2008	2007	11.1990		3.2770	20.0000	6.0000	6.2057	3.7106	2.0000	6.3713	58.7636	40.7636
2007	2006	11.2300	-	3.2460	20.0000	6.0000	6.2057	3.7106	2.0000	6.3713	58.7636	40.7636
2006	2005	11.2300	-	2.6910	20.0000	6.0000	6.2057	3.7106	2.0000	6.3713	58.2086	40.2086
2005	2004	10.4530	-	2.5470	20.0000	6.0000	6.2057	3.7106	2.0000	6.3713	57.2876	39.2876
2004	2003	10.1430	-	2.8570	20.0000	5.0000	6.2057	3.7106	2.0000	6.6513	56.5676	38.5676
2003	2002	11.3200	-	1.6800	20.0000	6.0000	6.0674	3.7106	2.0000	6.6713	57.4493	39.4493
2002	2001	11.1230	-	1.8770	20.0000	6.0000	6.0694	3.7106	2.0000	7.1961	57.9761	39.9761
2001	2000	10.9120	0.2270	1.8610	20.0000	6.0000	6.0760	3.7128	2.0000	7.2129	58.0017	40.0017
2000	1999	10.2470	0.4030	2.3500	20.0000	6.0000	6.1022	3.7128	2.0000	7.2129	58.0279	40.0279
1999	1998	9.8760	0.3020	2.8530	20.0000	6.0000	6.1022	3.7239	1.6000	7.2319	57.6890	39.6890
1998	1997	9.8760	0.4230	2.9680	20.0000	6.0000	6.1022	2.8739	1.6000	7.3819	57.2250	39.2250

(1) Approximately 2/3 of the City's taxable value is contained in Battle Creek School District. Four other school districts overlap into the geographical boundaries of the City. The millage rates for these other school districts are approximately equivalent to Battle Creek School District's.

(2) Passage of Proposal A in 1994 reduced operating millage for Michigan public schools to 18 mills for non-homestead properties and exempted homestead properties. Both homestead and non-homestead properties are subject to the State Education Tax of 6 mills as well as any debt service levy.

Source: City of Battle Creek Finance Department



**CITY OF BATTLE CREEK**  
**Principal Property Tax Payers**  
**Current Fiscal Year and Nine Years Ago**

Taxpayer	2008			1999		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Kellogg Company	\$ 119,166,407	1	7.08%	\$ 209,403,150	1	15.54%
Denso Manufacturing	81,285,547	2	4.83%	48,594,550	2	3.61%
Kraft Foods Inc.	37,222,448	3	2.21%	41,562,388	3	3.08%
Consumer Energy Co.	20,348,661	4	1.21%	19,073,250	4	1.42%
Ralcorp Holdings Inc.	16,088,305	5	0.96%	14,592,650	5	1.08%
Semco Energy Inc.	13,976,366	6	0.83%	13,900,600	6	1.03%
Lakeview Delaware	12,920,550	7	0.77%	9,960,350	7	0.74%
TRMI Inc.	11,000,229	8	0.65%	-	-	0.00%
Michigan Carton & Paperboard	8,540,917	9	0.51%	7,674,950	8	0.57%
New AMI Inc	6,326,674	10	0.38%	-	-	0.00%
II Stanley Co. Inc.	-	-	-	7,310,525	9	0.54%
Meijer	-	-	-	6,407,175	10	0.48%
	<u>\$ 326,876,104</u>		<u>20.36%</u>	<u>\$ 378,479,588</u>		<u>29.52%</u>

Source: City of Battle Creek Assessor's Office.

**CITY OF BATTLE CREEK**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

<b>Year</b>	<b>Taxes Levied for the Fiscal Year</b>		<b>Collected within the Fiscal Year of the Levy</b>		<b>Subsequent Years Collections</b>	<b>Total Collections to Date</b>	
			<b>Amount</b>	<b>% of Levy</b>		<b>Amount</b>	<b>% of Levy</b>
2008	\$	22,783,861	\$ 22,530,390	98.89%	\$ 253,471	\$ 22,783,861	100.00%
2007		20,506,199	19,403,324	94.62%	1,102,875	20,506,199	100.00%
2006		18,922,342	18,016,274	95.21%	906,068	18,922,342	100.00%
2005		18,605,060	17,672,508	94.99%	932,552	18,605,060	100.00%
2004		17,185,570	16,258,858	94.61%	926,712	17,185,570	100.00%
2003		16,268,282	15,315,963	94.15%	952,319	16,268,282	100.00%
2002		15,627,580	14,556,663	93.15%	1,070,917	15,627,580	100.00%
2001		14,444,440	13,472,398	93.27%	972,042	14,444,440	100.00%
2000		13,848,196	13,113,769	94.70%	734,427	13,848,196	100.00%
1999		13,053,529	12,112,586	92.79%	940,943	13,053,529	100.00%

Source: City of Battle Creek Treasurer's Office

**CITY OF BATTLE CREEK, MICHIGAN**  
**Number of Water System Customers by User Class**  
**Last Ten Fiscal Years**

Type of User	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>In-City</b>										
Residential	15,627	15,743	15,762	15,144	15,123	15,173	15,164	15,150	15,132	15,004
Commerical (1)	1,756	1,795	1,807	1,753	1,792	1,770	1,759	1,747	1,749	1,762
Industrial	204	221	225	163	161	165	166	157	159	159
	17,587	17,759	17,794	17,060	17,076	17,108	17,089	17,054	17,040	16,925
<b>Outside City</b>										
Emmett Township	742	719	766	765	763	761	746	744	705	701
Bedford Township	431	427	434	512	434	425	432	435	437	435
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
	1,173	1,146	1,200	1,277	1,197	1,186	1,178	1,179	1,142	1,136
<b>Totals</b>	18,760	18,905	18,994	18,337	18,273	18,294	18,267	18,233	18,182	18,061

(1) This class includes commercial and governmental users.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water System Customers by User Class as a Percent of Total**  
**Last Ten Fiscal Years**

Type of User	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>In-City</b>										
Residential	83.30%	83.27%	82.98%	82.59%	82.76%	82.94%	83.01%	83.09%	83.23%	83.07%
Commerical	9.36%	9.49%	9.51%	9.56%	9.81%	9.68%	9.63%	9.58%	9.62%	9.76%
Industrial	1.09%	1.17%	1.18%	0.89%	0.88%	0.90%	0.91%	0.86%	0.87%	0.88%
	93.75%	93.94%	93.68%	93.04%	93.45%	93.52%	93.55%	93.53%	93.72%	93.71%
<b>Outside City</b>										
Emmett Township	3.96%	3.80%	4.03%	4.17%	4.18%	4.16%	4.08%	4.08%	3.88%	3.88%
Bedford Township	2.30%	2.26%	2.28%	2.79%	2.38%	2.32%	2.36%	2.39%	2.40%	2.41%
Springfield City	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	6.25%	6.06%	6.32%	6.96%	6.55%	6.48%	6.45%	6.47%	6.28%	6.29%
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water System Revenues by User Class**  
**Last Ten Fiscal Years**

Type of User	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>In-City</b>										
Residential	\$ 3,128,571	\$ 3,114,683	\$ 2,930,112	\$ 2,988,206	\$ 2,778,890	\$ 2,756,443	\$ 2,533,362	\$ 2,231,146	\$ 2,094,201	\$ 2,016,205
Commercial (1)	2,140,021	2,229,896	2,384,246	2,107,130	2,029,994	1,900,080	1,843,640	1,624,460	1,601,871	1,440,049
Industrial	1,782,813	1,775,531	1,458,381	1,534,992	1,569,500	1,620,398	1,427,598	1,312,635	1,401,659	1,526,993
	<u>7,051,405</u>	<u>7,120,110</u>	<u>6,772,739</u>	<u>6,630,328</u>	<u>6,378,384</u>	<u>6,276,921</u>	<u>5,804,600</u>	<u>5,168,241</u>	<u>5,097,731</u>	<u>4,983,247</u>
<b>Outside City</b>										
Emmett Township (2)	-	-	-	-	-	-	-	-	90,242	246,737
Bedford Township (2)	-	-	-	-	-	-	-	-	37,527	46,608
Springfield City	250,448	186,269	211,550	257,382	230,142	309,120	255,990	220,169	280,166	242,485
Pennfield Township	24,215	25,170	24,931	25,819	25,272	25,724	22,819	22,461	25,736	34,487
	<u>274,663</u>	<u>211,439</u>	<u>236,481</u>	<u>283,201</u>	<u>255,414</u>	<u>334,844</u>	<u>278,809</u>	<u>242,630</u>	<u>433,671</u>	<u>570,317</u>
<b>Totals</b>	<u>\$ 7,326,068</u>	<u>\$ 7,331,549</u>	<u>\$ 7,009,220</u>	<u>\$ 6,913,529</u>	<u>\$ 6,633,798</u>	<u>\$ 6,611,765</u>	<u>\$ 6,083,409</u>	<u>\$ 5,410,871</u>	<u>\$ 5,531,402</u>	<u>\$ 5,553,564</u>

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water System Revenues by User Class as a Percent of Total Revenue**  
**Last Ten Fiscal Years**

Type of User	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>In-City</b>										
Residential	42.70%	42.48%	41.80%	43.22%	41.89%	41.69%	41.64%	41.23%	37.86%	36.30%
Commercial (1)	29.21%	30.42%	34.02%	30.48%	30.60%	28.74%	30.31%	30.02%	28.96%	25.93%
Industrial	24.34%	24.22%	20.81%	22.20%	23.66%	24.51%	23.47%	24.26%	25.34%	27.50%
	96.25%	97.12%	96.63%	95.90%	96.15%	94.94%	95.42%	95.52%	92.16%	89.73%
<b>Outside City</b>										
Emmett Township (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.63%	4.44%
Bedford Township (2)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.68%	0.84%
Springfield City	3.42%	2.54%	3.02%	3.72%	3.47%	4.68%	4.21%	4.07%	5.07%	4.37%
Pennfield Township	0.33%	0.34%	0.36%	0.37%	0.38%	0.39%	0.38%	0.42%	0.47%	0.62%
	3.75%	2.88%	3.37%	4.10%	3.85%	5.06%	4.58%	4.48%	7.84%	10.27%
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water System Sales Volume by User Class (Cubic Feet)**  
**Last Ten Fiscal Years**

<b>Type of User</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>In-City</b>										
Residential	129,667,312	132,922,943	122,288,785	135,354,475	137,407,639	147,477,690	143,389,790	145,687,089	150,082,516	151,173,776
Commercial (1)	199,155,721	109,436,923	113,556,377	108,753,474	112,195,110	121,130,023	114,554,365	115,717,957	125,688,340	130,291,866
Industrial	66,134,883	125,573,555	127,409,289	121,679,350	130,801,446	145,025,970	133,214,879	143,979,786	190,579,000	203,600,381
	<u>394,957,916</u>	<u>367,933,421</u>	<u>363,254,451</u>	<u>365,787,299</u>	<u>380,404,195</u>	<u>413,633,683</u>	<u>391,159,034</u>	<u>405,384,832</u>	<u>466,349,856</u>	<u>485,066,023</u>
<b>Outside City</b>										
Emmett Township	19,970,065	17,771,062	15,288,468	4,195,427	15,309,213	15,601,835	15,683,365	13,664,074	13,313,430	13,132,364
Bedford Township	3,647,245	1,001,180	3,602,107	4,560,943	3,778,467	3,640,246	3,868,998	3,808,655	3,562,447	3,522,107
Springfield City	22,897,818	19,956,511	20,754,525	21,277,255	21,227,255	21,616,262	20,611,891	21,051,942	30,787,488	26,646,743
Pennfield Township	2,570,500	2,700,500	2,937,600	3,165,700	3,099,600	3,418,800	2,882,400	2,911,900	3,431,500	4,598,300
	<u>49,085,628</u>	<u>41,429,253</u>	<u>42,582,700</u>	<u>33,199,325</u>	<u>43,414,535</u>	<u>44,277,143</u>	<u>43,046,654</u>	<u>41,436,571</u>	<u>51,094,865</u>	<u>47,899,514</u>
<b>Totals</b>	<u>444,043,544</u>	<u>409,362,674</u>	<u>405,837,151</u>	<u>398,986,624</u>	<u>423,818,730</u>	<u>457,910,826</u>	<u>434,205,688</u>	<u>446,821,403</u>	<u>517,444,721</u>	<u>532,965,537</u>

(1) This class includes commercial and governmental users.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet)**  
**Last Ten Fiscal Years**

<b>Type of User</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>In-City</b>										
Residential	29.20%	32.47%	30.13%	33.92%	32.42%	32.21%	33.02%	32.61%	29.00%	28.36%
Commercial	44.85%	26.73%	27.98%	27.26%	26.47%	26.45%	26.38%	25.90%	24.29%	24.45%
Industrial	14.89%	30.68%	31.39%	30.50%	30.86%	31.67%	30.68%	32.22%	36.83%	38.20%
	88.95%	89.88%	89.51%	91.68%	89.76%	90.33%	90.09%	90.73%	90.13%	91.01%
<b>Outside City</b>										
Emmett Township	4.50%	4.34%	3.77%	1.05%	3.61%	3.41%	3.61%	3.06%	2.57%	2.46%
Bedford Township	0.82%	0.24%	0.89%	1.14%	0.89%	0.79%	0.89%	0.85%	0.69%	0.66%
Springfield City	5.16%	4.88%	5.11%	5.33%	5.01%	4.72%	4.75%	4.71%	5.95%	5.00%
Pennfield Township	0.58%	0.66%	0.72%	0.79%	0.73%	0.75%	0.66%	0.65%	0.66%	0.86%
	11.05%	10.12%	10.49%	8.32%	10.24%	9.67%	9.91%	9.27%	9.87%	8.99%
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%



**CITY OF BATTLE CREEK, MICHIGAN**  
**Water Pumped and Sold (Cubic Feet)**  
**Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30</u>	<u>Water Pumped</u>	<u>Percent Increase (Decrease)</u>	<u>Water Sold</u>	<u>Percent Increase (Decrease)</u>	<u>Water Sold as a % of Water Pumped</u>
2008	521,009,359	6.58%	444,043,544	8.47%	85.23%
2007	488,835,560	-3.42%	409,362,674	0.87%	83.74%
2006	506,143,048	0.11%	405,837,151	1.72%	80.18%
2005	505,578,877	-1.92%	398,986,624	-5.86%	78.92%
2004	515,498,663	-5.79%	423,818,730	-7.45%	82.22%
2003	547,204,560	2.25%	457,910,826	5.46%	83.68%
2002	535,185,830	-1.60%	434,205,688	-2.82%	81.13%
2001	543,913,102	-8.35%	446,821,403	-13.65%	82.15%
2000	593,451,872	-4.01%	517,444,721	-2.91%	87.19%
1999	618,247,326	-4.22%	532,965,537	1.23%	86.21%

**CITY OF BATTLE CREEK, MICHIGAN**  
**Water Revenue and Usage - Major Customers**  
**Fiscal Year Ended June 30, 2008**

Company	Product or Service	Consumption (Cu. Ft.)	% of Total	Revenue	% of Total
Kellogg (Plant)	Breakfast foods	50,924,700	11.47%	\$ 607,070	8.29%
Kraft Foods, Post Division	Breakfast foods	25,832,634	5.82%	311,838	4.26%
Denso Manufacturing Michigan, Inc.	Auto Parts	10,161,560	2.29%	129,650	1.77%
VA Hospital (Armstrong)	Hospital	8,395,639	1.89%	107,040	1.46%
City of Battle Creek - WWTP	Government	7,305,830	1.65%	90,839	1.24%
Michigan Carton & Paperboard	Paper mill	6,595,779	1.49%	85,735	1.17%
Ralcorp Holdings, Inc	Breakfast foods	5,684,300	1.28%	76,470	1.04%
Battle Creek Health System	Medical services	3,958,399	0.89%	54,163	0.74%
Prairie Farms Dairy	Dairy processing	3,456,638	0.78%	45,252	0.62%
Kellogg (Research)	Breakfast Cereal	3,417,400	0.77%	44,456	0.61%
Cello-Foil Products Inc.	Food Packaging	3,248,341	0.73%	42,919	0.59%
Johnson Controls	Automotive parts	3,246,444	0.73%	41,740	0.57%
US Gov't Federal Center	Government	3,122,100	0.70%	42,424	0.58%
Calhoun County Justice Center	Jail/Courts	2,608,303	0.59%	47,357	0.65%
Rock-Tenn/Waldorf Corp	Paperboard	2,470,067	0.56%	33,768	0.46%
Rolling Hills Mobile Home Park	Mobile Homes	2,295,900	0.52%	31,990	0.44%
VA Laundry	Laundry	2,194,750	0.49%	33,338	0.46%
Musashi Auto Parts	Automotive parts	1,417,700	0.32%	21,221	0.29%
Kellogg (Headquarters)	Breakfast Cereal	1,342,766	0.30%	18,680	0.25%
McCamly Plaza Hotel	Hotel	1,254,600	0.28%	18,765	0.26%
<b>Totals</b>		<b>148,933,850</b>	<b>33.54%</b>	<b>\$ 1,884,715</b>	<b>25.73%</b>

**CITY OF BATTLE CREEK, MICHIGAN**  
**Current Water Rates (Beginning as of July 1, 2002)**

**Monthly Water Commodity Charge (1)**  
**(Fiscal Year Ending June 30)**

	2004	2005	2006	2007	2008
<u>Inside City</u>					
0 to 4,410,000	\$ 1.06	\$ 1.11	\$ 1.17	\$ 1.20	\$ 1.23
4,410,001 to 11,000,000	0.51	0.54	0.57	0.58	0.60
Over 11,000,000	0.78	0.82	0.86	0.88	0.90
<u>Outside City (bulk rate)</u>					
Pennfield Township	0.82	0.83	0.84	0.86	0.90
Springfield City	1.18	1.24	1.30	1.20	1.23

**Monthly Readiness-to-Serve Charge (2)**  
**(Fiscal Year Ending June 30)**

	2004	2005	2006	2007	2008
<u>Inside City</u>					
5/8"	\$ 6.09	\$ 6.39	\$ 6.71	\$ 6.88	\$ 7.05
3/4" or less	6.09	6.39	6.71	8.66	8.86
1"	10.35	10.86	11.41	12.22	12.48
1.5"	21.32	22.37	27.49	21.12	21.53
2"	40.80	42.81	44.96	31.80	32.39
3"	91.35	95.85	100.65	56.72	57.73
4"	164.43	172.53	181.17	92.32	93.93
6"	365.40	383.40	402.60	181.32	184.43
8"	609.00	639.00	671.00	288.12	293.03
10"	1,004.85	1,054.35	1,107.15	412.72	419.73
Over 10" (4)					

**Monthly Fire Sprinkler Charges (3)**  
**(Fiscal Year Ending June 30)**

	2004	2005	2006	2007	2008
<u>Inside City</u>					
2"	\$ 4.55	\$ 4.78	\$ 5.01	\$ 5.14	\$ 5.26
3"	7.44	7.81	8.20	9.62	9.86
4"	10.75	11.29	11.85	16.05	16.45
6"	19.85	20.84	21.88	32.08	32.88
8"	36.38	38.20	40.11	51.35	52.63
10"	54.57	57.30	60.17	73.82	75.67

- (1) Rate per 100 cubic feet.  
(2) Rate based on meter size; Outside City rates are set by contract.  
(3) Rate based on connection size; Outside City rates are set by contract.  
(4) To be calculated at time of permit.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Number of Wastewater System Customers by User Class**  
**Last Ten Fiscal Years**

Type of User	2008*	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>In-City</b>										
Residential	19,698	16,738	16,761	16,854	16,288	16,304	16,382	16,383	16,388	16,389
Commerical (1)	2,068	1,756	1,798	1,808	1,744	1,753	1,760	1,740	1,748	1,758
Industrial	155	145	151	152	145	142	141	144	145	144
	<u>21,921</u>	<u>18,639</u>	<u>18,710</u>	<u>18,814</u>	<u>18,177</u>	<u>18,199</u>	<u>18,283</u>	<u>18,267</u>	<u>18,281</u>	<u>18,291</u>
<b>Outside City</b>										
Emmett Township	2,037	1,828	1,825	1,835	1,779	1,781	1,740	1,708	1,696	1,700
Bedford Township (2)	691	539	579	582	565	559	564	564	570	577
Springfield City	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
Pennfield Township	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk	Bulk
	<u>2,728</u>	<u>2,367</u>	<u>2,404</u>	<u>2,417</u>	<u>2,344</u>	<u>2,340</u>	<u>2,304</u>	<u>2,272</u>	<u>2,266</u>	<u>2,277</u>
<b>Totals</b>	<u>24,649</u>	<u>21,006</u>	<u>21,114</u>	<u>21,231</u>	<u>20,521</u>	<u>20,539</u>	<u>20,587</u>	<u>20,539</u>	<u>20,547</u>	<u>20,568</u>

\*includes all flat rate customers

(1) This class includes commercial and governmental users.

(2) Increase in 1999 applicable to Orchard Park addition.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Customers by User Class as a Percent of Total**  
**Last Ten Fiscal Years Ended June 30, 2008**

Type of User	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>In-City</b>										
Residential	79.91%	79.68%	79.38%	79.38%	79.37%	79.38%	79.57%	79.77%	79.76%	79.68%
Commerical	8.39%	8.36%	8.52%	8.52%	8.50%	8.53%	8.55%	8.47%	8.51%	8.55%
Industrial	0.63%	0.69%	0.72%	0.72%	0.71%	0.69%	0.68%	0.70%	0.71%	0.70%
	88.93%	88.73%	88.61%	88.62%	88.58%	88.61%	88.81%	88.94%	88.97%	88.93%
<b>Outside City</b>										
Emmett Township	8.26%	8.70%	8.64%	8.64%	8.67%	8.67%	8.45%	8.32%	8.25%	8.27%
Bedford Township	2.80%	2.57%	2.74%	2.74%	2.75%	2.72%	2.74%	2.75%	2.77%	2.81%
Springfield City	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pennfield Township	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	11.07%	11.27%	11.39%	11.38%	11.42%	11.39%	11.19%	11.06%	11.03%	11.07%
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Revenues by User Class**  
**Last Ten Fiscal Years**

<b>Type of User</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>In-City</b>										
Residential	\$ 3,267,808	\$ 3,376,960	\$ 2,761,007	\$ 2,811,084	\$ 2,772,893	\$ 2,709,184	\$ 2,660,562	\$ 2,736,605	\$ 2,822,317	\$ 2,944,037
Commercial (1)	2,169,934	2,058,448	1,783,669	1,941,867	2,011,039	2,091,895	4,004,457	2,203,387	4,637,862	4,756,430
Industrial	4,262,166	3,731,009	3,446,719	3,731,951	3,609,226	3,814,617	2,092,277	4,089,700	2,166,179	2,210,909
	<u>9,699,908</u>	<u>9,166,417</u>	<u>7,991,395</u>	<u>8,484,902</u>	<u>8,393,158</u>	<u>8,615,696</u>	<u>8,757,296</u>	<u>9,029,692</u>	<u>9,626,358</u>	<u>9,911,376</u>
<b>Outside City</b>										
Emmett Township (2)	681,035	681,049	587,939	623,282	574,372	565,512	581,042	474,961	548,813	525,324
Bedford Township (2)	198,244	208,199	241,027	172,512	173,777	156,851	163,932	381,230	379,931	394,547
Springfield City	434,056	377,544	395,862	379,616	335,050	373,633	358,720	344,925	360,560	357,106
Pennfield Township	434,360	404,821	379,492	380,497	386,898	365,038	373,633	150,557	160,551	151,382
	<u>1,747,696</u>	<u>1,671,613</u>	<u>1,604,320</u>	<u>1,555,907</u>	<u>1,470,097</u>	<u>1,461,034</u>	<u>1,477,327</u>	<u>1,351,673</u>	<u>1,449,855</u>	<u>1,428,359</u>
<b>Totals</b>	<u>\$ 11,447,603</u>	<u>\$ 10,838,030</u>	<u>\$ 9,595,715</u>	<u>\$ 10,040,809</u>	<u>\$ 9,863,255</u>	<u>\$ 10,076,730</u>	<u>\$ 10,234,623</u>	<u>\$ 10,381,365</u>	<u>\$ 11,076,213</u>	<u>\$ 11,339,735</u>

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Revenues by User Class as a Percent of Total Revenue**  
**Last Ten Fiscal Years**

Type of User	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>In-City</b>										
Residential	28.55%	31.16%	28.77%	28.00%	28.11%	26.89%	26.00%	26.36%	25.48%	25.96%
Commercial (1)	18.96%	18.99%	18.59%	19.34%	20.39%	20.76%	39.13%	21.22%	41.87%	41.94%
Industrial	37.23%	34.43%	35.92%	37.17%	36.59%	37.86%	20.44%	39.39%	19.56%	19.50%
	84.73%	84.58%	83.28%	84.50%	85.10%	85.50%	85.57%	86.98%	86.91%	87.40%
<b>Outside City</b>										
Emmett Township (2)	5.95%	6.28%	6.13%	6.21%	5.82%	5.61%	5.68%	4.58%	4.95%	4.63%
Bedford Township (2)	1.73%	1.92%	2.51%	1.72%	1.76%	1.56%	1.60%	3.67%	3.43%	3.48%
Springfield City	3.79%	3.48%	4.13%	3.78%	3.40%	3.71%	3.50%	3.32%	3.26%	3.15%
Pennfield Township	3.79%	3.74%	3.95%	3.79%	3.92%	3.62%	3.65%	1.45%	1.45%	1.33%
	15.27%	15.42%	16.72%	15.50%	14.90%	14.50%	14.43%	13.02%	13.09%	12.60%
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(1) This class includes commercial and governmental users.

(2) Effective 11/1/99, Emmett and Bedford Townships residential revenues are included above in In-City Residential.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Nine Year History of Volumes - Unaudited**

Fiscal Year Ended June 30,	Total Customers	Total Annual Amount of Sewer Treatment Sold (000,000's Gallons)	Total Annual Amount of Sewer Treated (000,000's Gallons)
2008	24,649	3,535	3,358
2007	21,006	2,802	3,356
2006	21,114	3,115	3,450
2005	21,231	4,287	3,556
2004	20,521	3,874	3,506
2003	20,539	4,071	3,441
2002	20,587	3,412	3,881
2001	20,539	3,518	3,928
2000	20,547	3,685	4,030
1999	20,568	3,982	4,747



**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Sales Volume by User Class (Cubic Feet)**  
**Last Ten Fiscal Years**

Type of User	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>In-City</b>										
Residential	133,629,491	129,484,615	125,601,626	123,417,582	125,022,045	123,915,476	130,375,450	128,255,231	128,282,507	126,422,885
Commercial (1)	100,897,362	94,077,325	103,331,052	92,006,080	96,810,569	95,602,782	95,565,835	97,735,031	99,577,990	98,953,998
Industrial	46,361,097	70,828,876	114,255,306	84,933,629	84,869,317	83,938,785	97,352,710	110,507,432	141,866,481	170,408,529
	<u>280,887,950</u>	<u>294,390,816</u>	<u>343,187,984</u>	<u>300,357,291</u>	<u>306,701,931</u>	<u>303,457,043</u>	<u>323,293,995</u>	<u>336,497,694</u>	<u>369,726,978</u>	<u>395,785,412</u>
<b>Outside City</b>										
Emmett Township	30,642,811	11,346,135	22,416,138	25,851,285	25,479,003	26,255,880	23,782,984	24,401,981	22,817,233	23,995,129
Bedford Township	7,342,349	3,176,176	7,141,993	7,251,759	6,967,764	6,945,184	7,460,413	6,957,095	6,991,208	2,552,162
Springfield City	18,222,458	17,077,626	17,858,390	17,822,333	17,191,832	16,500,091	17,133,860	18,318,679	18,648,271	18,708,921
Pennfield Township	16,392,850	18,438,800	15,795,100	18,974,550	18,841,131	17,263,203	16,211,301	16,676,437	17,311,150	17,272,255
	<u>72,600,468</u>	<u>50,038,737</u>	<u>63,211,621</u>	<u>69,899,927</u>	<u>68,479,730</u>	<u>66,964,358</u>	<u>64,588,558</u>	<u>66,354,192</u>	<u>65,767,862</u>	<u>62,528,467</u>
<b>Totals</b>	<u>353,488,418</u>	<u>344,429,553</u>	<u>406,399,605</u>	<u>370,257,218</u>	<u>375,181,661</u>	<u>370,421,401</u>	<u>387,882,553</u>	<u>402,851,886</u>	<u>435,494,840</u>	<u>458,313,879</u>

(1) This class includes commercial and governmental users.

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater System Sales Volume by User Class as a Percent of Total Sales (Cubic Feet)**  
**Last Ten Fiscal Years Ended June 30, 2008**

Type of User	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>In-City</b>										
Residential	37.80%	37.59%	30.91%	33.33%	33.32%	33.45%	33.61%	31.84%	29.46%	27.58%
Commercial	28.54%	27.31%	25.43%	24.85%	25.80%	25.81%	24.64%	24.26%	22.87%	21.59%
Industrial	13.12%	20.56%	28.11%	22.94%	22.62%	22.66%	25.10%	27.43%	32.58%	37.18%
	79.46%	85.47%	84.45%	81.12%	81.75%	81.92%	83.35%	83.53%	84.90%	86.36%
<b>Outside City</b>										
Emmett Township	8.67%	3.29%	5.52%	6.98%	6.79%	7.09%	6.13%	6.06%	5.24%	5.24%
Bedford Township	2.08%	0.92%	1.76%	1.96%	1.86%	1.87%	1.92%	1.73%	1.61%	0.56%
Springfield City	5.16%	4.96%	4.39%	4.81%	4.58%	4.45%	4.42%	4.55%	4.28%	4.08%
Pennfield Township	4.64%	5.35%	3.89%	5.12%	5.02%	4.66%	4.18%	4.14%	3.98%	3.77%
	20.54%	14.53%	15.55%	18.88%	18.25%	18.08%	16.65%	16.47%	15.10%	13.64%
<b>Totals</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**CITY OF BATTLE CREEK, MICHIGAN**  
**Wastewater Revenue and Usage - Major Customers**  
**Fiscal Year Ended June 30, 2008**

Company	Product or Service	Consumption (Cu. Ft.)	% of Total	Revenue	% of Total
Kellogg (Plant)	Breakfast foods	44,830,495	12.68%	\$ 1,592,467	13.91%
Michigan Carton & Paperboard	Paper mill	25,055,615	7.09%	791,028	6.91%
Kraft Foods/Post Division	Breakfast Cereal	14,447,447	4.09%	596,275	5.21%
Rock-Tenn/Waldorf Corp.	Paperboard	8,938,583	2.53%	336,591	2.94%
VA Hospital	Hospital Armstrong	8,395,639	2.38%	177,996	1.55%
Ralcorp Holdings, Inc.	Breakfast Cereal	7,601,426	2.15%	166,414	1.45%
Denso Mnftg. Michigan, Inc.	Automotive parts	4,632,160	1.31%	99,285	0.87%
Prairie Farms Dairy	Dairy processing	3,456,638	0.98%	73,630	0.64%
Johnson Controls/Hi-Lex	Heating & Venting	3,246,444	0.92%	68,805	0.60%
Federal Center	Government	3,122,100	0.88%	57,441	0.50%
Battle Creek Health Systems	Hospital	2,739,899	0.78%	59,950	0.52%
Calhoun Co. Justice Center	Jail/Courts	2,425,055	0.69%	55,670	0.49%
Kellogg - Research	Research	2,346,300	0.66%	50,261	0.44%
VA Laundry	Laundry Services	2,194,750	0.62%	46,890	0.41%
Rolling Hills MHP	Mobile home park	1,559,698	0.44%	33,114	0.29%
Kellogg (Headquarters)	Breakfast foods	1,260,166	0.36%	27,129	0.24%
McCamly Plaza Hotel	Hotel	1,188,300	0.34%	27,394	0.24%
River Oaks Apartments	Housing	822,998	0.23%	22,530	0.20%
Sun Hospitality	Hotel	763,700	0.22%	16,338	0.14%
Gallagher Laundry	Laundry Services	946	0.00%	20,463	0.18%
<b>Totals</b>		<u>139,028,359</u>	<u>39.33%</u>	<u>\$ 4,319,670</u>	<u>37.73%</u>

(1) Consumption measured in Cubic Feet (M3).

**CITY OF BATTLE CREEK, MICHIGAN**  
**Largest Wastewater Customers**

Fiscal Year Ended June 30,	Kellogg Company		Michigan Carton & Paperboard		Kraft Foods/Post Division	
	Consumption	Revenue	Consumption	Revenue	Consumption	Revenue
2008	48,436,961	\$ 1,669,857	25,055,615	\$ 791,028	14,447,447	\$ 596,275
2007	41,580,214	1,318,253	25,858,289	736,869	14,600,267	471,537
2006	48,061,497	1,181,361	26,485,294	654,208	22,767,379	570,754
2005	48,468,841	1,225,508	27,942,722	657,030	25,366,208	648,051
2004	48,347,026	1,185,451	29,798,717	791,028	24,533,913	593,986
2003	47,185,600	482,405	12,210,800	114,110	40,534,399	428,411
2002	51,283,300	489,581	9,257,700	95,413	37,645,952	380,223
2001	57,428,950	493,595	11,948,000	113,754	32,090,000	304,788
2000	82,290,550	590,816	12,778,000	120,647	30,355,000	289,448
1999	107,261,870	628,962	14,560,173	135,949	29,566,000	304,073

Consumption measured in Cubic Feet (M3).

**CITY OF BATTLE CREEK, MICHIGAN**  
**Current Wastewater Rates (From 7/01/05 to 6/30/10)**

**Commodity Charge**

Date	Regular Commodity Rate (per ccf or 750 gallons)	Former Contract Commodity Rate (per ccf or 750 gallons)
Current as of 7/1/2004	\$2.130	\$0.990
July 1, 2005 – June 30, 2006	\$2.106	\$1.194
July 1, 2006 – June 30, 2007	\$2.082	\$1.398
July 1, 2007 – June 30, 2008	\$2.058	\$1.602
July 1, 2008 – June 30, 2009	\$2.034	\$1.806
July 1, 2009 – June 30, 2010	\$2.010	\$2.010

**Monitoring Charge**

Date	Monitoring Charge (per sample)
Current as of 7/1/2004	\$0.00
July 1, 2005 – June 30, 2006	\$17.96
July 1, 2006 – June 30, 2007	\$35.92
July 1, 2007 – June 30, 2008	\$53.88
July 1, 2008 – June 30, 2009	\$71.84
July 1, 2009 – June 30, 2010	\$89.80

**BOD and Suspended Solids Charges**

Date	BOD Charge (per pound)	Suspended Solids Charge (per pound)
Current as of 7/1/2004	\$0.1050 or \$0.2200	\$0.0900 or \$0.1700
July 1, 2005 – June 30, 2006	\$0.1422	0.1915
July 1, 2006 – June 30, 2007	\$0.1460	0.1966
July 1, 2007 – June 30, 2008	\$0.1498	0.2016
July 1, 2008 – June 30, 2009	\$0.1536	0.2067
July 1, 2009 – June 30, 2010	\$0.1574	0.2118

**Sewer Customer Only (No Water Service)**

Customer is charged based on 750 cubic feet per month commodity charge, readiness to serve charge (same as outside City performing their own billing), and bill processing charge (below).

Date	Bill Processing Charge
Current as of 7/1/2004	\$0.40
July 1, 2005 – June 30, 2006	\$0.72
July 1, 2006 – June 30, 2007	\$0.74
July 1, 2007 – June 30, 2008	\$0.76
July 1, 2008 – June 30, 2009	\$0.78
July 1, 2009 – June 30, 2010	\$0.81

**Readiness to Serve Charges**

**Inside City and Outside City Customers Billed by City**

Meter Size	Current	July 1, 2005 to June 30, 2006	July 1, 2006 to June 30, 2007	July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010
5/8"	\$1.45	\$3.22	\$4.94	\$6.67	\$8.39	\$10.15
¾ "	\$1.45	\$3.22	\$5.75	\$8.29	\$10.82	\$13.39
1"	\$2.00	\$3.22	\$7.37	\$11.53	\$15.68	\$19.87
1.5"	\$3.40	\$3.22	\$11.42	\$19.63	\$27.83	\$36.07
2"	\$4.90	\$3.22	\$16.28	\$29.35	\$42.41	\$55.51
3"	\$11.20	\$3.22	\$27.62	\$52.03	\$76.43	\$100.87
4"	\$19.00	\$3.22	\$43.82	\$84.43	\$125.03	\$165.67
6"	\$37.55	\$3.22	\$84.32	\$165.43	\$246.53	\$327.67
8"	\$56.10	\$3.22	\$132.92	\$262.63	\$392.33	\$522.07
10"	\$75.50	\$3.22	\$189.62	\$376.03	\$562.43	\$748.87

**Outside City Performing Their Own Billing**

Meter Size	Current	July 1, 2005 to June 30, 2006	July 1, 2006 to June 30, 2007	July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010
5/8"	\$0.00	\$0.00	\$1.62	\$3.24	\$4.86	\$6.48
¾ "	\$0.00	\$0.00	\$2.43	\$4.86	\$7.29	\$9.72
1"	\$0.00	\$0.00	\$4.05	\$8.10	\$12.15	\$16.20
1.5"	\$0.00	\$0.00	\$8.10	\$16.20	\$24.30	\$32.40
2"	\$0.00	\$0.00	\$12.96	\$25.92	\$38.88	\$51.84
3"	\$0.00	\$0.00	\$24.30	\$48.60	\$72.90	\$97.20
4"	\$0.00	\$0.00	\$40.50	\$81.00	\$121.50	\$162.00
6"	\$0.00	\$0.00	\$81.00	\$162.00	\$243.00	\$324.00
8"	\$0.00	\$0.00	\$129.60	\$259.20	\$388.80	\$518.40
10"	\$0.00	\$0.00	\$186.30	\$372.60	\$558.90	\$745.20

**CITY OF BATTLE CREEK**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Years**

Year	General Bonded Debt Outstanding			% of Personal Income	% of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total			
2008	\$ 24,680,000	\$ 5,548	\$ 24,685,548	0.66%	1.47%	\$ 462.59
2007	26,720,000	4,256	26,724,256	0.72%	1.66%	500.79
2006	28,924,000	4,298	28,928,298	0.78%	1.86%	542.09
2005	26,890,000	4,403	26,894,403	0.72%	1.77%	503.98
2004	28,610,000	4,585	28,614,585	0.77%	1.94%	536.22
2003	30,290,000	4,452	30,294,452	0.81%	2.10%	567.69
2002	29,095,000	4,662	29,099,662	0.80%	2.10%	545.31
2001	20,605,000	4,651	20,609,651	0.59%	1.52%	386.21
2000	22,015,000	17,236	22,032,236	0.63%	1.61%	410.29
1999	23,825,000	17,447	23,842,447	0.71%	1.77%	445.69

**Ratios of Total Outstanding Debt**  
**Last Ten Years**

Year	Total Debt Outstanding (A)			% of Personal Income	% of Actual Taxable Value of Property	Per Capita
	Total Outstanding Debt	Less: Amounts Restricted to Repaying Principal	Total			
2008	\$ 49,401,276	\$ 5,548	\$ 49,406,824	1.33%	2.94%	\$ 925.85
2007	52,320,899	4,256	52,325,155	1.41%	3.26%	980.53
2006	53,179,948	4,298	53,184,246	1.43%	3.42%	996.63
2005	52,668,586	4,403	52,672,989	1.42%	3.47%	987.05
2004	55,402,584	4,585	55,407,169	1.49%	3.75%	1,038.29
2003	57,738,349	4,452	57,742,801	1.55%	4.00%	1,082.06
2002	57,638,674	4,662	57,643,336	1.59%	4.15%	1,080.19
2001	40,020,000	4,651	40,024,651	1.14%	2.96%	750.03
2000	42,390,000	17,236	42,407,236	1.22%	3.10%	789.72
1999	42,994,000	17,447	43,011,447	1.27%	3.19%	804.01

(A) Includes general obligations bonds, revenue bonds, installment contracts and capital leases for governmental and business-type activities.

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Computation of Net Direct and Overlapping Debt**  
**As of June 30, 2008**

	(1) Net Debt Outstanding	Percentage Applicable to City of Battle Creek	Amount Applicable to City of Battle Creek
<b>Direct:</b>			
City issued bonded debt (2)	\$ 21,530,000	100.00%	<u>\$ 21,530,000</u>
<b>Overlapping:</b>			
Battle Creek Public Schools	66,505,000	77.95%	51,840,648
Calhoun County	7,975,000	41.18%	3,284,105
Climax-Scotts School District	7,495,297	3.65%	273,578
Harper Creek School District	53,926,950	0.24%	129,425
Kalamazoo RESA	24,675,000	0.05%	12,338
Lakeview School District	51,105,000	100.00%	51,105,000
Pennfield School District	36,581,228	1.94%	709,676
Kellogg Community College	9,900,000	41.19%	4,077,810
			<u>111,432,579</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 132,962,579</u></u>

(1) Excludes self-supporting debt.

(2) Excludes discretely presented component unit.

Source: City of Battle Creek Finance Department and Municipal Advisory Council of Michigan.

**CITY OF BATTLE CREEK**  
**Legal Debt Margin**  
**Last Ten Fiscal Years**

State Equalized Value - ad valorem property	\$	1,701,794,480
State Equalized Value - tax abated property:		
Industrial Facilities		194,795,573
Neighborhood Enterprise Zone		452,973
		<hr/>
<b>Total State Equalized Value (SEV)</b>	<b>\$</b>	<b>1,897,043,026</b>
		<hr/>
Legal debt limit (10% of SEV)	\$	189,704,303
Outstanding debt subject to limitation	\$	111,936,611
Less exempt obligations		<hr/> (26,800,000)
	\$	<hr/> 85,136,611
<b>Legal debt margin</b>	<b>\$</b>	<b>104,567,692</b>
		<hr/>
<b>Debt subject to limitation as a percent of SEV</b>		<hr/> 4.49%
		<hr/>

<b>Fiscal Year</b>	<b>Debt Limit</b>	<b>Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</b>
2008	\$ 189,704,303	\$ 85,136,611	\$ 104,567,692	44.88% (A)
2007	181,362,764	88,015,790	93,346,974	48.53% (A)
2006	174,472,102	83,450,407	91,021,695	54.84% (A)
2005	154,861,776	82,015,000	72,846,776	49.51% (A)
2004	150,799,044	77,135,000	73,664,044	46.57% (A)
2003	141,768,348	34,205,000	107,563,348	24.13%
2002	135,383,345	33,400,000	101,983,345	24.67%
2004	125,527,030	25,465,000	100,062,030	20.29%
2000	119,159,245	27,840,000	91,319,245	23.36%
1999	108,619,673	41,450,000	67,169,673	38.16%

(A) In 2004, the City refunded Downtown Development Authority bonds in the amount of \$55.265 million with a general obligation backing making the debt subject to the legal debt limit.

Source: City of Battle Creek Finance Department



**CITY OF BATTLE CREEK, MICHIGAN**  
**Water and Wastewater System Revenue Bond Coverage**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	(3) Total Debt Service Requirement	Coverage
2008	\$ 19,423,713	\$ 15,358,388	\$ 4,065,325	\$ 2,290,497	1.77
2007	18,815,313	14,712,942	4,102,371	2,140,741	1.92
2006	17,438,691	14,533,605	2,905,086	2,139,594	1.36
2005	18,128,410	14,075,713	4,052,697	2,039,225	1.99
2004	16,753,042	13,741,506	3,011,536	1,575,436	1.91
2003 (4)	18,914,844	13,409,060	5,505,784	1,447,312	3.80
2002	18,059,421	12,834,705	5,224,716	1,452,305	3.60
2001	6,285,322	4,639,956	1,645,366	1,428,910	1.15
2000	6,385,001	5,203,838	1,181,163	1,437,565	0.82
1999	6,234,314	5,083,581	1,150,733	1,299,578	0.89
1998	6,424,672	4,321,163	2,103,509	1,278,816	1.64

(1) Includes operating revenue, investment income and transfers from tax increment financing authorities. Such transfers will continue through the year ended June 30, 2011.

(2) Excludes depreciation expense.

(3) Includes principal and interest on revenue bonds only.

(4) Effective 7-1-01, the water and wastewater systems were legally combined; therefore, amounts prior to 2001-02 are for the water fund only.

**CITY OF BATTLE CREEK**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<b>Year</b>		<b>Population</b>	<b>(b) Personal Income (thousands of dollars)</b>	<b>(b) Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2008	(a)	53,364	\$ 3,719,430	\$ 31,013	7.00%
2007	(a)	53,364	3,719,430	31,013	7.00%
2006	(a)	53,364	3,719,430	29,862	7.00%
2005	(a)	53,364	3,719,430	28,588	7.00%
2004	(a)	53,364	3,719,430	27,370	8.00%
2003		53,364	3,719,430	26,860	8.20%
2002		53,364	3,636,736	26,278	7.10%
2001		53,364	3,500,169	25,357	6.10%
2000		53,699	3,471,425	25,151	4.90%
1999		53,496	3,375,735	24,458	4.40%

(a) Reflects most recent data available.

(b) Battle Creek MSA data.

Sources: U.S. Census Bureau, U.S. Department of Commerce  
Michigan Department of Career Development Employment Service Agency  
Michigan Economic Development Corporation

**CITY OF BATTLE CREEK**  
**Principal Employers**  
**Current Year and Nine Years Ago**

<b>Employer</b>	<b>2008</b>			<b>1999</b>		
	<b>Employees</b>	<b>Rank</b>	<b>% of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>% of Total City Employment</b>
Kellogg Company	2,804	1	10.79%	1,832	2	7.60%
Denso Manufacturing Michigan, Inc.	2,439	2	9.39%	2,847	1	11.82%
Tokai Rika USA, Inc.	2,252	3	8.67%	1,080	7	4.48%
Battle Creek Health System	1,740	4	6.70%	1,682	4	6.98%
Federal Center	1,678	5	6.46%	1,700	3	7.06%
Battle Creek Public Schools	1,313	6	5.05%	1,291	5	5.36%
City of Battle Creek	928	7	3.57%	650	10	2.70%
II Stanley Company, Inc	720	8	2.77%	743	9	3.08%
Kraft Foods, Post Division	700	9	2.69%	1,085	6	4.50%
Veterans Administration Med Center	500	10	1.92%	474	11	1.97%
Felpausch Food Centers	324	11	1.25%	782	8	3.25%
	<u>15,398</u>		<u>59.26%</u>	<u>14,166</u>		<u>58.80%</u>

Source: City of Battle Creek

**CITY OF BATTLE CREEK**  
**Full-Time Equivalent Employees by Function/Program**  
**Last Ten Years**

<b>Function/Program</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>General Fund and Special</b>										
<b>Revenue Funds</b>										
Administration	24	28	25	26	25	22	22	25	25	23
Community development	22	22	19	30	31	29	27	33	34	33
Finance	41	32	31	31	28	27	27	27	26	26
Police department	192	182	177	152	145	139	132	132	133	132
Fire department	104	101	92	121	118	118	115	115	115	111
Public works	80	77	78	75	72	74	70	73	68	65
Parks and recreation	25	24	19	19	17	13	11	10	10	8
	<u>488</u>	<u>466</u>	<u>441</u>	<u>454</u>	<u>436</u>	<u>422</u>	<u>404</u>	<u>415</u>	<u>411</u>	<u>398</u>
<b>Enterprise Funds</b>										
W.K. Kellogg airport	9	9	9	9	10	10	10	9	10	10
Battle Creek transit system	46	45	45	44	43	43	43	39	38	36
Sewer and wastewater plant	59	64	64	71	71	69	67	66	66	63
Water	65	58	58	50	47	47	46	43	46	44
	<u>179</u>	<u>176</u>	<u>176</u>	<u>174</u>	<u>171</u>	<u>169</u>	<u>166</u>	<u>157</u>	<u>160</u>	<u>153</u>
<b>Internal Service Funds</b>										
Information systems	9	9	10	10	10	10	8	9	10	11
Equipment center	20	20	19	18	18	19	18	18	16	16
Self insurance	4	4	4	4	4	4	4	4	3	4
Reproduction and stores	4	4	4	4	4	4	4	4	4	3
	<u>37</u>	<u>37</u>	<u>37</u>	<u>36</u>	<u>36</u>	<u>37</u>	<u>34</u>	<u>35</u>	<u>33</u>	<u>34</u>
<b>Total</b>	<u><u>704</u></u>	<u><u>679</u></u>	<u><u>654</u></u>	<u><u>664</u></u>	<u><u>643</u></u>	<u><u>628</u></u>	<u><u>604</u></u>	<u><u>607</u></u>	<u><u>604</u></u>	<u><u>585</u></u>

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Operating Indicators by Function/Program**  
**Last Three Fiscal Years**

<b>Function/Program</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Public Safety</b>			
Police			
Number of incidents	47,045	50,458	55,366
Number of crash reports	2,231	1,992	2,308
Fire			
Number of incidents	5,061	5,752	5,538
Number of medical calls	2,620	3,971	3,709
Number of structural fires	127	89	186
<b>Public Works</b>			
Major street miles maintained	90.58	90.58	90.58
Local street miles maintained	204.70	204.70	204.32
<b>Culture &amp; Recreation</b>			
Participation:			
Softball	2,004	1,893	1,671
Soccer	567	674	732
Baseball	3,938	1,167	2,328
Basketball	170	105	435
Floor Hockey	353	210	1,237
Football	180	182	155
Other	944	2,169	1,365
Aquatic center participation	63,441	128,000	138,000
Rounds of Golf	49,000	49,100	48,000
Parks maintained	28	32	28
Number of Linear Park trail miles	24	25	24
<b>Building Permits</b>			
Commercial and Industrial			
Number of Permits	71	69	56
Dollar Value	\$44,855,746	\$ 21,868,619	\$ 16,336,269
Residential			
Number of Permits	605	538	321
Dollar Value	\$7,467,058	\$ 19,095,837	\$ 24,074,807
Totals			
Number of Permits	676	607	377
Dollar Value	\$52,322,804	\$ 40,964,456	\$ 40,411,076

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Capital Asset Statistics by Function/Program**  
**Last Three Fiscal Years**

<b>Function/Program</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Police</b>			
Vehicle patrol units:			
Police patrol	41	42	46
Detective	18	11	15
Other	34	36	20
SIU	16	-	-
<b>Fire</b>			
Fire vehicle units:			
Trucks	2	2	2
Engines	8	8	9
Other	10	11	12
Fire stations	5	5	5
Administrative facilities	1	1	1
<b>Parks and Recreation</b>			
Parks:			
Parkland acreage	1,200	1,028	1,200
Natural area acreage	380	344	200
Picnic area	15	15	15
Buildings:			
Log cabins	1	1	1
Recreation center	1	1	1
Fishing structures	3	13	3
Pavilions	12	12	12
Concession	4	4	4
Swimming beach areas	1		
Golf Courses:			
27 hole course	1	1	1
Trails:			
Nature	1	1	1
Multiuse	1	1	1
Playgrounds	22	22	22
Water Areas:			
Water parks	1	1	1
Spray play feature	-	3	1
<b>Public Works</b>			
Major street miles maintained	90.58	90.58	90.58
Local street miles maintained	204.70	204.70	204.32
Vehicles:			
Dump trucks	48	47	47
Heavy equipment	15	28	22
Other	243	201	240

Source: City of Battle Creek Finance Department

**CITY OF BATTLE CREEK**  
**Schedule of Insurance**  
**As of June 30, 2008**

Type of Coverage Name of Company	Policy Expiration Date	Premium	Description
Airport Liability	7/1/09	\$20,315.00	\$50,000,000 CSL each occ.; ded. \$1,000 per occ./\$10,000 agg., \$50,000,000 per aircraft/occ Hangar Keepers liability. Terrorism declined.
Auto Liability (Except Buses)	6/25/09	N/A	Self-insured for 1st \$1 million(PIP SIR is equal to MCCA threshold, \$375,000 this year, increases to \$400,000 10-1-06), must renew certification with Assigned Claims Fund each year, by June 25th.
Auto Physical Damage (except Buses)	6/1/09	Included in Property Insurance	Stated amount coverage on all but transit vehicles, with over-the-road physical damage deductible of \$50,000 on buses, fire trucks except \$100,000 on two largest fire trucks, and \$25,000 on all other vehicles. Deductibles are on per occurrence basis.
Boiler & Machinery	6/1/09	\$11,000.00	\$100,000,000 Property limit, subject to \$10,000 per occ. ded., \$10,000,000 E&O lim
Crime Coverage	7/1/09	\$4,742.00 \$1,155 Treasurer's Bond	Employee dishonesty \$1,000,000 per loss, with \$10,000 ded.; forgery \$50,000 with \$1,000 ded., blanket limits, \$500,000 on Treasurer.
Data Processing Equipment	6/1/09	Included in Property Insurance	Blanket coverage for equipment on premises, blanket coverage for data/media and extra expense coverage, subject to ded. on mechanical breakdown and other perils.
Emergency Care Services (First Responder Prof. Liability)	7/1/09	\$5,303.13 including surplus lines tax, policy fee	\$1,000,000/claim/general aggregate \$250 deductible each claim.
Employee Benefits Liability	N/A	N/A	See Excess Liability, for losses above \$1,000,000 SIR.
Employment Practices Liability Insurance	N/A	N/A	See Excess Liability, for losses above \$1,000,000 SIR.
Excess Liability (first layer)	10/1/09	\$106,132.13 (includes broker's fee)	\$5,000,000 each occ. and/or wrongful act \$5,000,000 aggregate limit for Personal Inj, Products/Completed Operations and Public Officials E&O combined. Subject to \$1,000,000 per occ/wrongful act, and \$2,500,000 Annual Aggregate SIR. Terrorism rejected. Does not apply to Airport Liability. Excess of all primary limits, subject to SIR on any self-insured primary exposures.

**CITY OF BATTLE CREEK**  
**Schedule of Insurance**  
**As of June 30, 2008**

Type of Coverage Name of Company	Policy Expiration Date	Premium	Description
Excess Liability (2nd layer)	10/1/09	\$44,360.00 (including surplus lines taxes & fees, broker's fee)	\$5,000,000 excess of Catlin's \$5,000,000 layer. Does not apply to Transit Operations.
Garage Liab. (Ambulance Repairs)		no longer applicable	
Inland Marine	6/1/09	Included in Property Insurance	Coverage on fine arts, contractors equipment(ACV), communications equipment, including dispatch equipment and towers.
Liquor Liability Binder Park Golf	3/8/09	\$1,557.00 (including surplus lines tax, fees)	\$1,000,000 each common cause/annual aggregate limit. No deductible. Note: License in name of Cereal City Development Corporation.
Police Professional Liability	N/A	N/A	See Excess Liability, for losses above \$1 million SIR.
Property Insurance	6/1/09	\$177,205.00	All Risk coverage on real property, personal property, business interruption, extra expense, earthquake & flood, and vehicle physical damage, with \$200,000,000 per occ loss limit on real property, \$50,000,000 limit on flood and earthquake, with other special sublimits. \$5,000,000 E&O limit. \$200,000,000 terrorism coverage included. \$40,000 basic All Perils deductible.
Pollution Liability	N/A	N/A	Note: Finance department files for self- insured authority with State, for UST liability.
Public Officials	N/A	N/A	See Excess Liability , for losses above \$1 million SIR.
Transit (Physical Damage)	6/1/09	Included in Property Insurance	Stated amount coverage on all transit vehicles, with over-the-road physical damage deductibles of \$10,000 on handi-vans, \$50,000 on large busses. Deductible on per-occurrence basis.
Transit (Liability)	N/A	Primary Policy non- renewed 4-1-05	Note: See 1st Layer of excess coverage (\$5 million) for losses excess of \$1 million (PIP excess of \$375,000) SIR. 2nd Layer of excess does not apply to Transit.
Warehouse (Liability)	N/A	No longer applicable BCTIFA owns	None



**CITY OF BATTLE CREEK**  
**Schedule of Insurance**  
**As of June 30, 2008**

<b>Type of Coverage Name of Company</b>	<b>Policy Expiration Date</b>	<b>Premium</b>	<b>Description</b>
Worker's Comp. (Primary)	6/30/10	N/A	Note: If requested by W.C. bureau, must update self-insured certification by July 1st. Also, must notify if any changes in excess coverage, or TPA.
Worker's Comp. (Excess)	7/1/09	Estimated/Minimum Premium \$24,896.00	Statutory limit, \$1,000,000 Employers Liability, Specific Excess subject to \$600,000 per accident or disease. No agg. limit on S.I.R. per year.
Emergency Dispatch Liability	N/A	N/A	See Excess Liability, for losses above \$1 million.
Liquor Liability Except Binder Park Except Binder Park	N/A	N/A	None - See separate policy for Binder Park

**CITY OF BATTLE CREEK,  
MICHIGAN**

**SINGLE AUDIT**

**For the Year Ended June 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

**CITY OF BATTLE CREEK, MICHIGAN  
SINGLE AUDIT**

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**YEAR ENDED JUNE 30, 2008**

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

December 10, 2008

Honorable Mayor and Members  
of the City Commission  
City of Battle Creek, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF BATTLE CREEK, MICHIGAN** (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of finding and questioned costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, the governing board, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

December 10, 2008

Honorable Mayor and Members  
of the City Commission  
City of Battle Creek, Michigan

**Compliance**

We have audited the compliance of the **CITY OF BATTLE CREEK, MICHIGAN** (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008. However the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-2.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Battle Creek, Michigan* as of and for the year ended June 30, 2008, and have issued our report thereon dated December 10, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style with a large initial 'L'.



**City of Battle Creek**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2008**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Federal/ Pass-through Grantor Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
Direct Programs:			
Community Development Block Grant:			
Program year 2004/05	14.218	B-04-MC-26-0002	\$ 46,628
Program year 2005/06	14.218	B-05-MC-26-0002	156,859
Program year 2006/07	14.218	B-06-MC-26-0002	455,503
Program year 2007/08	14.218	B-07-MC-26-0002	836,435
Total Community Development Block Grant			<u>1,495,425</u>
Home Investment Partnership Program:			
Program year 2003/04	14.239	M-03-MC-26-0203	45,937
Program year 2004/05	14.239	M-04-MC-26-0203	116,382
Program year 2005/06	14.239	M-05-MC-26-0203	20,200
Program year 2006/07	14.239	M-06-MC-26-0203	31,372
Program year 2007/08	14.239	M-07-MC-26-0203	73,456
Total Home Investment Partnership Program			<u>287,347</u>
Passed through the Battle Creek Housing Commission - Public and Indian Housing Drug Elimination	14.854		<u>82,622</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,865,394</u>
<b>U.S. Department of Justice</b>			
Direct Programs:			
Bulletproof Vest Grant Program -			
Program year 2006	16.607	2004-LB-BX-1238	<u>1,152</u>
Edward Byrne Memorial Justice Assistance Grant (JAG):			
Program year 2004/2008	16.738	2005-DJ-BX-0666	23,046
Program year 2005/2009	16.738	2006-DJ-BX-0446	6,636
Program year 2006/2010	16.738	2007-DJ-BX-0865	23,133
Total JAG Grants			<u>52,815</u>
COPS Secure Our Schools - Battle Creek Public Schools	16.710	2005-CK-WX-0552	<u>8,305</u>
Passed through Grand Valley State University:			
Project Safe Neighborhood-Anti-Gang Initiative	16.609	209832	18,569
Project Safe Neighborhood-Interrogation Room/Mini Crime scope	16.609	101	<u>48,049</u>
Total Project Safe Neighborhood Grants			<u>66,618</u>
<b>Total U.S. Department of Justice</b>			<u>128,890</u>

Continued..

**City of Battle Creek**  
**Schedule of Expenditures of Federal Awards (Concluded)**  
**For the Year Ended June 30, 2008**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Federal/ Pass-through Grantor Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Transportation</b>			
Direct Programs:			
Capital and Operating Assistance (Section 5307):			
Capital 2005	20.507	MI-90-X498-00	\$ 92,637
Operating 2005	20.507	MI-90-X478-00	92,913
Capital 2006	20.507	MI-90-X509-00	213,600
Operating 2008	20.507	MI-90-X526-00	887,259
Total Capital, Planning, and Operating Assistance			<u>1,286,409</u>
MDOT Planning FY05	20.515	MI-80-X014-00	<u>36,800</u>
Federal Transit Capital Investment Grants:			
Bus Purchase (Section 5309)	20.500	MI-04-0003-00	82,739
Capital 2005	20.500	MI-03-0232-00	<u>217,872</u>
<b>Total U.S. Department of Transportation</b>			<u>1,623,820</u>
<b>Environmental Protection Agency</b>			
Passed through the Michigan Department of Environmental Quality:			
Capitalization Grants for Drinking Water State Revolving Funds - Program year 2006/07	66.468		<u>21,792</u>
<b>U.S. Department of Homeland Security</b>			
Direct Program:			
2006 Assistance to Firefighters Grant (AFG)	97.044	FG-12339	167,574
Passed through the Michigan State Police:			
2005 Homeland Security Grant Program - SHSP	97.067		(7,492)
2006 Homeland Security Grant Program - SHSP	97.067		53,470
Emergency Management Performance Grants:			
Program year 2005/06	97.042		8,257
Program year 2007/08	97.042		<u>26,936</u>
<b>Total U.S. Department of Homeland Security</b>			<u>248,745</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 3,888,641</u></u>

# CITY OF BATTLE CREEK, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

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### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the City of Battle Creek, Michigan (the "City"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City of Battle Creek reporting entity is defined in Note 1 of the City's basic financial statements.

### 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the City's basic financial statements.

### 3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amount Provided to Subrecipients</b>
Community Development Block Grant	14.218	\$ 326,868
HOME Investment Partnership Program	14.239	287,347
Community Prosecution and Project Safe Neighborhoods	16.609	1,757
COPS- Secure Our Schools	16.710	8,305
Edward Byrne Memorial Justice Assistance Grant	16.738	20,000

\* \* \* \* \*

# CITY OF BATTLE CREEK, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?   X   yes        no

Significant deficiency(ies) identified  
not considered to be material weaknesses?        yes   X   none reported

Noncompliance material to financial statements  
noted?        yes   X   no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified  
not considered to be material weaknesses?        yes   X   none reported

Type of auditors' report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?   X   yes        no

# CITY OF BATTLE CREEK, MICHIGAN

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2008

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### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	<u>  X  </u> yes <u>      </u> no
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### SECTION II – FINANCIAL STATEMENT FINDINGS

#### 2008-1 – Adjustment of Year-end Trial Balances

*Criteria.* The City is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

*Condition.* During our audit we identified and proposed two material audit adjustments (which were approved and posted by management) that were significant to the City's financial statements. These adjustments were to properly record bond refunding transactions and related GASB 34 eliminations.

*Cause.* Internal controls did not detect adjustments necessary to properly record year-end balances.

*Effect.* As a result of this condition, the City is not able to produce accurate financial information that would allow those charged with governance to make fully informed decisions.

*Recommendation.* We recommend that the City take steps to insure that all year-end adjustments are identified and properly made for financial reporting purposes.

*View of Responsible Officials.* Management acknowledges its responsibility providing reasonably adjusted final trial balances and intends to develop a plan to identify and record all necessary year-end adjustments in the future.

# **CITY OF BATTLE CREEK, MICHIGAN**

## **Schedule of Findings and Questioned Costs (Concluded)**

**For the Year Ended June 30, 2008**

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### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### **2008-2 Suspended and Debarred Parties**

*Criteria.* The OMB Circular A-133 Compliance Supplement provides that “non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred...the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded.”

*Condition.* When entering into covered transactions with subrecipients, the City did not verify suspension or debarment and/or has not maintained documentation of such verification.

*Cause.* Those responsible for administering the City’s Community Development Block Grant were unaware of this requirement.

*Effect.* This condition increases the risk that the City may conduct business with a suspended or debarred vendor and be in violation of OMB Circular A-133.

*Recommendation.* We recommend that the City begin verifying that current vendors with contracts and projects over \$25,000 being funded from federal monies are not suspended or debarred or otherwise excluded.

*View of Responsible Officials.* The City will implement this recommendation immediately, coordinating the process through our Purchasing Division.

### **SECTION IV – PRIOR YEAR FINDINGS**

No federal award findings noted in the prior year

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
UNDER SAS NO. 114**

December 10, 2008

To the City Commissioners of the  
City of Battle Creek

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Battle Creek* (the “City”) for the year ended June 30, 2008, and have issued our report thereon dated December 10, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated May 27, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City’s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City’s compliance with those requirements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 23, 2008.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the *City* are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in certain of the City's self-insurance internal service fund. We relied upon the work of the City's third-party administrator and internal risk manager for the estimated liabilities on reported claims and the work of the City's internal risk manager for the calculation of the estimated liabilities for incurred but not reported claims based on GASB Statement No. 10, as amended by GASB Statement No. 30 and Interpretation No. 4.
- Management's estimate of the collectability of receivables (excluding those receivables for which the City has the right to levy a lien against the applicable property owner). We evaluated the key factors and assumptions used to develop the allowances for uncollectable accounts in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the original cost and accumulated depreciation of infrastructure capital assets. We evaluated the key factors/assumptions used to develop the original cost and accumulated depreciation of the infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.



- Management's estimate of the useful lives of depreciable capital assets – i.e., the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: Adjustments needed to correctly record debt refunding that occurred during the year.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 10, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *City of Battle Creek* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **City of Battle Creek**

### **Comments and Recommendations**

**For the Year Ended June 30, 2008**

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In planning and performing our audit of the financial statements of the City of Battle Creek as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the City's Single Audit report.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be material weaknesses are described in the Schedule of Findings and Questioned Costs in the City's Single Audit report.

#### **Other Matters**

*Documenting Preparation and Review.* As a general comment, the City appears to do a good job of documenting transactions and performing applicable/appropriate reviews and reconciliations, but it is not clearly documenting on the face of these documents (by initialing and dating) or through some other mechanism the preparer and reviewer. Accordingly, we recommend that preparation and review of documents, reconciliations and the like be appropriately documented.

# **City of Battle Creek**

## **Comments and Recommendations (Concluded)**

**For the Year Ended June 30, 2008**

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*Income Tax Receivables.* Based on discussions with applicable City personnel, the write off of income taxes receivable can be initiated and approved by the same person. We also found that a *maintenance report* can be printed that shows every such adjustment over a specified period of time, is reviewed by the same person who approves the write offs. To improve segregation of duties over income taxes receivable, all write offs or adjustments should be reviewed and approved by an appropriate management level person who does not have computer access to initiate or record such adjustments. This independent person should also review the *maintenance report* on a regular basis.

\* \* \* \* \*